

# BUSINESS WEEK

FEB. 12, 1949

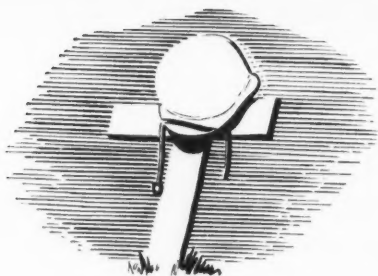


H. B. Stewart, Jr.: Short-line railroader wants to become belt-line conveyor (page 6)

BUSINESS  
WEEK  
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A MCGRAW-HILL PUBLICATION

TWENTY-FIVE CENTS



## He, too, knew what "being an American" means

**H**E WANTED NO GLORY NOR MONEY; he was willing to pay for the privilege of being an American and he knew how important that privilege is.

Remembering that cross and thousands more, do you and I dare say, "I vote and pay taxes, and that's being an American"? No, it means and needs infinitely more than that.

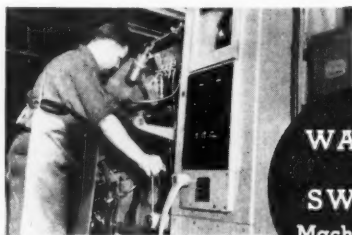
It means, first, a heart so full of gratitude for this privilege of being an American that hatred cannot crowd in. It means giving full value for what we get, whether we are manufacturer, politician, workman, storekeeper.

And here's the great test. It means being *big* enough, as that boy was, to realize America is more important than we are. Supporting legislation that may hurt us a little but will help our country much. Giving up leisure time for hard work in civic, church, school, charity organizations. Being more generous for charity at the expense of our selfish appetites. Listening to the

other fellow's side and remembering he has rights, too.

Are we big enough for that? The men and women were, who built this country for us. And don't forget, it takes as much strength and greatness to *keep* freedom as to get it.

If, when you and I come to die, we can honestly say as that boy could, "I have done my best for my country", then we will bequeath a free America, and we will have been successful men and women—successful Americans which is the greatest success of all.

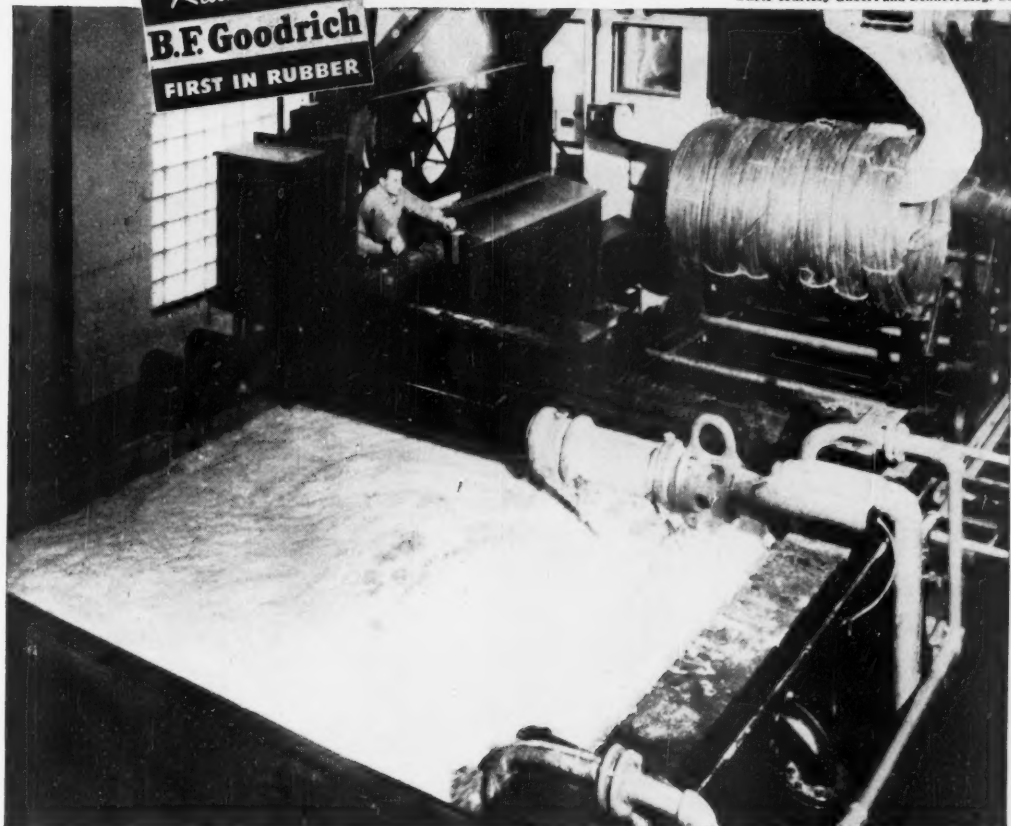


**WARNER  
&  
SWASEY**  
Machine Tools  
Cleveland

YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, AUTOMATICS AND TAPPING MACHINES

*Research keeps*  
**B.F. Goodrich**  
**FIRST IN RUBBER**

Photo courtesy Gilbert and Bennett Mfg. Co.



## Here come a million explosions a minute

### *A typical example of B. F. Goodrich product development*

**T**HE operator is about to dunk those big rolls of steel wire in a bath of hot acid. The acid generates gas between steel and the rust and scale. As the gas expands it blasts the scale off the wire with millions of small explosions.

This job used to be done in thick bolted wooden tanks. But tanks shrunk under the bite of acid, had to be calked and tightened frequently. Even so, acid leaked onto the floor constantly—a waste, a hazard to workmen. Shut-downs for repairs were frequent and expensive.

B. F. Goodrich men believed rubber

could be used but they knew the sides of the tanks might be struck frequently by the heavy, sharp wire, so had to be very strong. B. F. Goodrich had already developed a way to make rubber stick to steel. So the engineers worked out a combination lining of hard rubber, soft rubber and bricks. They made the hard rubber layer in sections that overlapped so the linings could expand and contract with heating and cooling. Rubber-lined steel "pickling" tanks became practical for the first time.

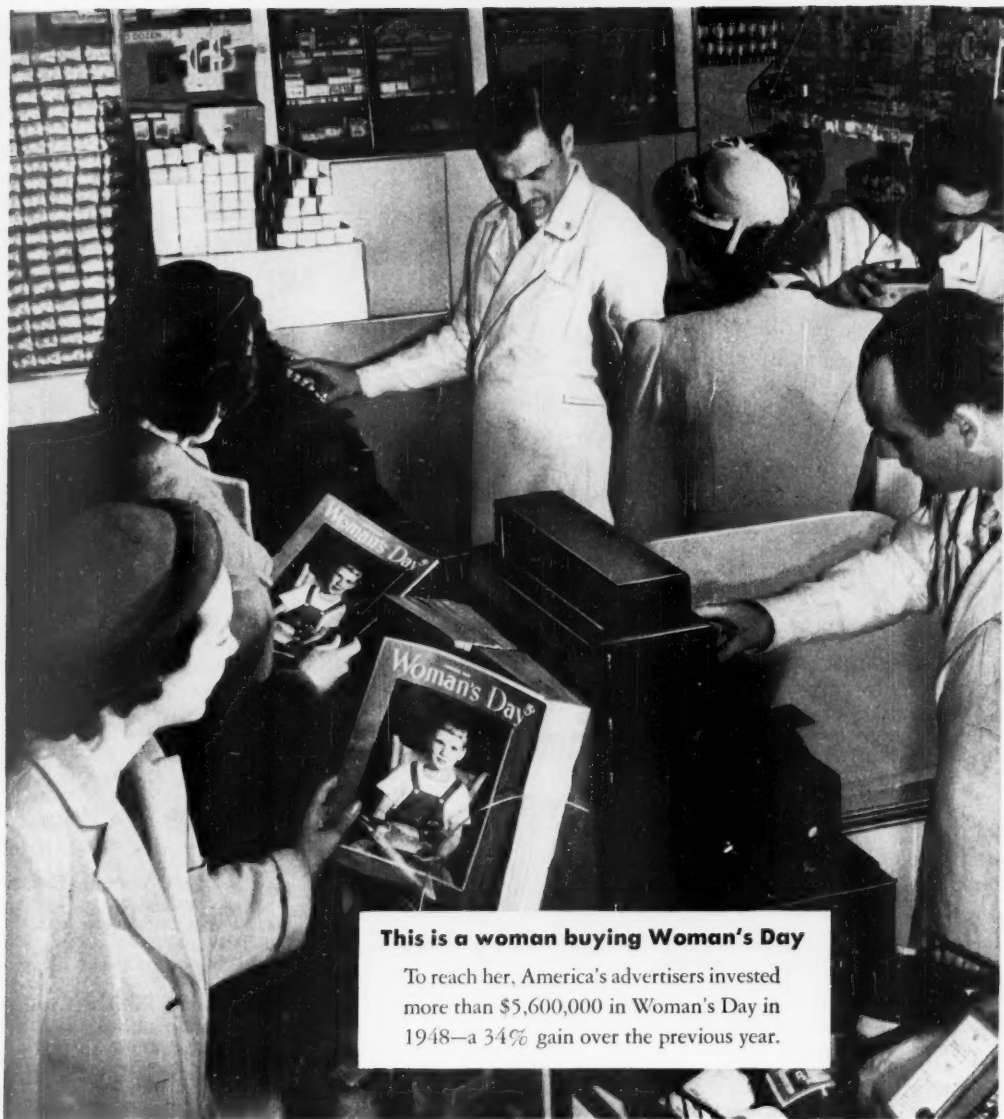
The tanks in the picture were installed by this method almost three

years ago. Since then there have been no layoffs for installation of new tanks, won't be for many more years. Gone are the waste and hazard of messy, acid-wet floors. Production is up, costs are down.

BFG research has made comparable developments in industrial hose and belting, and many other rubber products your business uses. Ask your local distributor or write: *The B. F. Goodrich Co., Industrial Products Division, Akron, Ohio.*

**B.F. Goodrich**  
**RUBBER FOR INDUSTRY**

# More



**This is a woman buying Woman's Day**

To reach her, America's advertisers invested more than \$5,600,000 in Woman's Day in 1948—a 34% gain over the previous year.

## Woman's Day

MEMBER  
Audit Bureau of  
Circulations

NEW YORK  
19 West 44th St.



# Women

*step up and pay cash for  
WOMAN'S DAY than for  
any other magazine!*

No other magazine with audited circulation comes within hailing distance of WOMAN'S DAY's single copy sales. December circulation set a new all-time high: 3,430,000 copies...not a subscription copy among them...bought by women who *want and read* Woman's Day...bought by women who do their families' marketing in person...bought by women who step up in overwhelming numbers to buy *products*, too.

● **MOST MAGAZINE CIRCULATIONS ARE UP**

Take the circulations of the big ones other than Woman's Day—those general, consumer and farm magazines with more than 2,000,000. In 1948 (first six months) their combined circulations were about 50 million copies, a million more than the previous year, a gain of 2%. *Woman's Day's gain in this period was nearly a quarter of a million copies...to 3,167,000...more than 8% up.*

● **SUBSCRIPTIONS ARE UP EVEN MORE**

These same magazines had a large gain in subscriptions in the first six months of 1948...from 29.8 millions to 32.2 millions...2½ millions up from 1947 for a gain of more than 8%. Woman's Day had no subscription circulation in either year.

● **BUT THEIR NEWSSTAND SALES ARE OFF**

Their trend in newsstand sales was just the reverse...a drop of nearly 1½ million copies from 19.1 millions to 17.6 millions...a decrease of 8%. *Woman's Day's*

*single copy sales soared in the same period...nearly a quarter of a million copies...an increase of 8%.*



● **WOMAN'S DAY'S CIRCULATION IS ROBUST**

Our picture has never been healthier. This chart shows the steady rise in net paid sales in the six months period just completed. The December all-time record of more than 3,430,000 copies was achieved with a return rate of only 2.13%. Because women want Woman's Day it sells itself and its advertisers' products, too.

**CHICAGO**

221 N. LaSalle St.

**PHILADELPHIA**

1701 Fidelity-Phila. Trust Bldg.

**LOS ANGELES**

714 W. Olympic Blvd.

**SAN FRANCISCO**

1085 Monadnock Bldg.




**B**ECAUSE THEY ARE QUIET and fume-free, battery industrial trucks can be used in virtually any part of the plant. They can even be provided with spark-enclosed construction if fire and explosion hazards exist.

They use low-cost electric power and use it with peak efficiency ... starting instantly, consuming no power during stops. Their electric motors have few wearing parts; are easy to maintain; rarely need repairs. Thus they have inherent economy and dependability.

They are doubly dependable and economical when powered by Edison Nickel-Iron-Alkaline Storage Batteries. These are the longest-lived and most durable of all batteries, with steel cell construction, electrolyte which is a preservative of steel, and a foolproof principle of operation.


If you do not already use EDISON, get a current price quotation—you will probably find initial cost *much lower* than you think. Couple this factor with well-known EDISON long life and you will have the key to year-after-year economy.

**ADVANTAGES OF EDISON NICKEL-IRON-ALKALINE BATTERIES:**  
They're mechanically durable; electrically foolproof; quickly and easily charged; simple to maintain; not injured by standing idle.



## EDISON

Nickel • Iron • Alkaline  
STORAGE BATTERIES



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# THE 20 SOLID GOLD MOUNTAINS!

(IF YOU COULD USE ONE, READ THIS)

by Mr. Friendly



Having 20 gold mountains, it's easily understood

Why 20 manufacturers felt real good...

20 gold mountains, so dog-gone high,

They had to cut 'em down to let the moon go by!

(A slight exaggeration, but it'll give you an idea of the mountains of money American Mutual saves businessmen! Year after year, we've helped 'em reduce

premiums to as much as 53% below the average rate.

In addition, they've enjoyed big savings through dividends that have never been less than 20%!

So if we talk about peaks of gold

That went with the policies we sold

Don't smile and say that it sounds kind of mad...

We've stretched a point or so. It makes a better ad!

## AMERICAN MUTUAL

...the first American liability insurance company

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The biggest extra in insurance... that's I.E. Loss Control,\* a special service, at no extra charge with every industrial policy. Ask your American Mutual man to show you the "40 Convincing Cases." Write for free copy of "The All-American Plan for Business" or "The All-American Plan for the Home." American Mutual Liability Insurance Co., Dept. B-57, 142 Berkeley St., Boston 16, Mass. Branch offices in principal cities. Consult classified telephone directory.

\*Accident prevention based on principles of industrial engineering.



## Seeking a sale in Sydney...

There's a sure way to take the "ifs, ands and buts" out of business dealings overseas. Talk to your customer or prospect in person — by telephone. You can reach personal agreement on points in question, arrange details and close the deal in a single call.

If you have friends or relatives abroad, you'll get a lot of satisfaction out of hearing their familiar voices on the telephone too.

You can reach most countries around the world today. Just say to your Long Distance operator, "I want to make an overseas call."

## is simpler to do by telephone!



**BELL SYSTEM OVERSEAS TELEPHONE SERVICE**



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## THE COVER

Harry Bartlett Stewart, Jr., has dreamed up one of the most startling engineering enterprises in a generation. The project: to build a 103-mile-long conveyor belt from Lake Erie to the Ohio River.

• **Replacement**—As a common carrier for hauling coal and limestone northward and iron ore southward, this belt would replace the Akron, Canton, & Youngstown Railroad, of which Stewart is president. The belt would put a deep cut in transportation costs.

Stewart thinks that there are two real obstacles still in his way. One is to get the lawmakers to give him the right of eminent domain for the belt. (It would run in a straight line rather than follow the winding course of the railroad.) The other is that there may be a knockdown fight with other railroads because of the belt's potential competition.

• **The Man**—The man who thought up this daring scheme is a modest, soft-spoken executive only 44 years old. "Bart" Stewart went to work on his father's short-line railroad when he left Yale in 1926. It was one of the most prosperous roads in the country then. But the depression soon gave the A. C. & Y. a lot of trouble.

Stewart, Sr., was a co-trustee of the 171-mi. road when the depression put it into receivership.

• **Successor**—Stewart, Sr., died 11 years ago. Young Stewart, although he was only 34 at the time, insisted that he be named his father's successor. He was. Eventually the line was reorganized, and Bart was made president. Last year the \$14-million road made a net profit of nearly \$1-million.

Bart Stewart has two children, is married to Catherine Seiberling, niece of F. A. Seiberling, founder of Goodyear Tire & Rubber Co.

• **Friends and Enemies**—Stewart has sold Goodyear on the idea of making his conveyor belt. But it may lose him a group of personal friends whom he has entertained at his home—the top executives of the Assn. of Eastern Railroads.

—Complete story on the A. C. & Y.'s project begins on page 45.



Since you're the man most concerned by that steadily rising curve labeled "operating costs," you're constantly searching for machines and methods that will help reduce expenses.

That's why Remington Rand now invites you to see the new "Foremost" bookkeeping machine in action.

New from core to keyboard, this completely electrified machine produces *all* your accounting records with new efficiency. New mechanical features speed every machine operation... new functional design simplifies each operator motion. **RESULT:** your accounts receivable, payrolls and accounts payable are turned out faster—with less effort—at lower cost.

But see for yourself how the "Foremost" bookkeeping machine will force down your "operating costs" curve. Call your local Remington Rand representative today.

"Fashioned for Business Administration" tells the complete story. Write for your free copy to Remington Rand Inc., Dept. BW-2A, 315 Fourth Ave., N. Y. 10.

*here's why . . .*  
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**FASTER RESULTS** — completely electrified . . . balances computed and printed automatically . . . improved automatic tabulation and column selection . . . new high speed spacing, timing and carriage return.

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**FUNCTIONAL DESIGN** — fashioned for maximum utility plus streamlined beauty of lines . . . all moving parts and mechanisms enclosed . . . minimum of feature keys and levers . . . durable unit construction.

**THE NEW**

**BOOKKEEPING MACHINE**





# 100,000 turns

In the American-Standard Institute of Plumbing Research, there is a machine designed for a special purpose: to test the efficiency of the faucets we make.

It automatically turns a battery of test faucets on and off 100,000 times! And only those faucets able to pass this gruelling test without loss of efficiency are considered fit to be sold to our customers.

The faucet test of 100,000 turns is typical of the painstaking care exercised all along the line to maintain the high quality of American-Standard Heating Equipment and Plumbing Fixtures.

And this extra care . . . this determination to maintain high product quality . . . is one of the chief reasons, we believe, why American-Standard is known today as "First in Heating . . . First in Plumbing."

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*Look for this  
Mark of Merit*



## AMERICAN-Standard

First in heating . . . first in plumbing

*Serving home and industry:* AMERICAN-STANDARD · AMERICAN BLOWER  
CHURCH SEATS · DETROIT LUBRICATOR · KEWANEE BOILER · ROSS HEATER · TONAWANDA IRON

# BUSINESS OUTLOOK

BUSINESS WEEK

FEBRUARY 12, 1949



Business is almost sure to get a better break on income taxes than seemed likely a couple of weeks ago.

This was tipped off by Sen. Walter F. George on Wednesday. Chairman of the influential finance committee, the Georgia Democrat hasn't been at all keen about a tax rise. Now he wants to put it off to next year.

That could well be this week's big news for business. It was almost lost in the commodity crash headlines. Yet it deserves top billing.

Better tax treatment means freer business spending on new plant and facilities. Such outlays can do more than any other single thing to bolster the present sagging business curve.

•  
Falling prices, inventory problems, and rising unemployment are helping to shape the tax outlook. They are symptoms of weaker business. Even Administration stalwarts are backing away from Truman's tax program, now that economic stability seems threatened by it.

They would rather cut federal outgo than raise income.

Failing that, though, Sen. George and others might be whipped into line. They would vote for a tax rise to prevent a deficit.

•  
Main business significance of the price situation: The drop now has spread to a great many things that influence industrial costs.

Companies that have been cagey enough not to build up high-priced inventories win on lower raw material costs. Those that couldn't or didn't hold inventories down now may have to work them off at a loss.

•  
Industrial raw materials, on the average, aren't down very far.

The index of 16 industrial spot prices, put out by the Bureau of Labor Statistics, this week was just above 270. That's two or three points above last spring's low, and off only 25 points or 8% from the postwar peak.

Even so, the decline is becoming more general. Consider some of the recent drops in important materials used in manufacturing:

Steel and nonferrous scrap; products made from secondary brass; coal and fuel oil; industrial alcohol; edible and inedible fats and oils.

Price drops that may bother some processors and distributors are meats, shortenings, cocoa, grains, processed milk products.

•  
Fundamentals of this week's crash in grain prices are simple:

There aren't enough people to eat all the wheat; there aren't enough hogs and cattle to eat all the corn.

However, that has been obvious for months. Why prices happened to spill now, why they went so far below support levels, defies explanation.

•  
Too many people forgot what they knew prewar—that supports protect farm prices but not market prices.

The government gives the farmer loans on his crops. He has the cash; the stuff is off the market—in storage. The government's job ends there (except that it also buys in the open market for European relief).

Commercial supplies are diminished. This bolsters markets, strengthens trade psychology. But it doesn't actually support prices on the Chicago Board of Trade or the New Orleans Cotton Exchange.

For if farmers can't find any place to store wheat, it isn't eligible for loans. If corn is wet, it won't keep, isn't eligible. What the farmer sells is

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**  
**FEBRUARY 12, 1949**

traded commercially. If sellers outnumber buyers, prices can always go down after the stuff leaves the farm.

Farm markets won't go to pot as a result of this price break.

Agricultural income this year will be below 1948, though. The biggest decline probably will be in realizations on livestock and livestock products.

Cattle and hog raisers got the highest prices ever in 1948. These prices now have dropped 30% to 40%. Milk and eggs also are down.

January didn't bear the full brunt of the price decline. Nevertheless, it bore a good deal of it. Farm income, on the other hand, at \$2.4-billion, was only about 4% below the same month last year.

Bear in mind, too, that the farmer is in the best financial shape ever. He can always borrow if he hasn't the cash in hand.

Inventory problems may not be limited to raw materials.

Manufacturers of nondurable goods added nearly \$2½-billion worth of inventory in 1948. Almost all that increase was in finished goods—stuff ready to ship, but for which there apparently were no anxious buyers.

That presumably can be worked off if business is good. But there have been signs that business isn't maintaining late-1948 levels. If this keeps on, finished inventories would be too big (BW-Feb. 5'49,p104).

Even the metal markets are concerned over the fall in commodity prices and the general business uncertainty.

Iron Age calls the "gray market a dead dodo." Consumers who have on hand high-priced "conversion deal" steel are rushing to work it off.

Nonferrous markets are equally jumpy. Prices of metals such as copper, aluminum, zinc, and lead are still firm, to be sure. But buyers aren't so pressing. And a rush of scrap has knocked secondary markets down sharply.

Employment figures have been causing concern for three months.

Insured unemployment rose from 1,074,000 the end of October to 2,100,000 the first week of January.

Total civilian employment rose about 265,000 from January, 1948, to January, 1949. Yet growth of the labor force during the year was 865,000. Unemployment topped a year earlier by 600,000.

Manufacturing employment fell off last year. There were 16,354,000 employed in manufacturing in December, 1947. The total slipped to 16,242,000 in the last month of 1948.

Layoffs are diminishing; many workers furloughed earlier are being recalled. That's the analysis of Washington experts who have the latest figures on unemployment compensation claims.

Yet there was a new batch of railroad layoffs this week. Biggest was one of about 8,000 by the New York Central.

And New England, in particular, feels the pinch. It has a number of slow industries—shoes, textiles, rubber footwear, brass, jewelry.

Don't look for relaxation of Regulation W on auto purchases any time soon. The Federal Reserve Board has pretty well made up its mind that Detroit will get by. But it isn't so sure on some appliance lines.

## The selling magic of Plaskon Molded Color...



*This Plaskon Molded Color cosmetic make-up kit is produced for Max Factor Hollywood by Eldon Manufacturing Co., Los Angeles, Calif.*

...has influenced buyers of  
Max Factor Hollywood Make-Up Kits  
for two successive, successful years!

- It is colorful, eye-attracting, merchandisable!
- It is efficient to manufacture!
- It is easy to mold into a unique dual-purpose package!
- It gets quick sales acceptance!
- It increases product turnover!

Packages molded of Plaskon Molding Compound are selling merchandise in the cosmetic, jewelry, liquor, candy, lingerie, tobacco, photographic and many other fields. A Plaskon Service Engineer can show you what has been done by successful merchandisers—and can be done for you—with Plaskon Molded Color.

*Send for illustrated book showing many efficient applications of Plaskon® Molding Compounds to design, production and selling needs.*

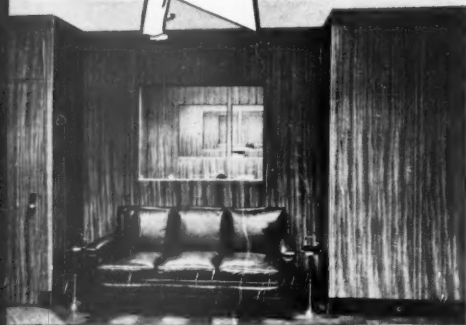
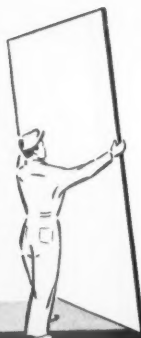
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TRADE MARK REGISTERED  
**MOLDED COLOR**

\*Reg. U. S. Pat. Off.

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MANUFACTURERS OF MOLDING COMPOUNDS, COATING RESINS, RESIN GLUES

# Restful Sound Control

*...easy to move*



*Hauserman Movable Steel Partitions and Wainscot assure efficient sound control and thru-vision for executive offices at Weatherhead Company, Cleveland, Ohio.*



*Special Hauserman Movable Steel Acoustiwalls and Steel Pan Ceilings provide a soundproof testing laboratory in one of the nation's leading automobile plants.*



*Hauserman Movable Steel Partitions are used throughout Music Systems, Inc., Cleveland, Ohio, commercial and industrial distributors for Seeburg and R.C.A.*

**H**AUSERMAN All-Steel Interiors assure welcome quietness that speeds work and reduces errors. They minimize sounds in two ways. Hauserman *Movable* Steel Partitions and window-wall Wainscot keep out more external noise than tile and plaster construction, yet are only half as thick.

Hauserman Acoustical Steel Pan Ceilings absorb more interior sound than fibre types and equal or exceed all other steel pan types. Hauserman Acoustical Ceilings absorb approximately 85% of all the sound that strikes them.

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There are many reasons why Hauserman All-Steel Interiors are used in the smaller as well as the largest buildings in America. Among these advantages are: Rock-bottom Maintenance Costs—60 Beautiful Colors and Authentic Wood Grain Reproductions—Rigid Construction—Earlier Occupancy—Incombustible Materials—Ease of Adding Wires and Outlets—Ease of Servicing Utilities—Excellent Sound Control—Easy to Move.

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Our experienced erection crews are on call for alterations and additions. Our engineers are always at your service.



### Free Catalog to Help You Plan

You'll find interior walls and ceilings to meet your exact requirements in Hauserman Catalog 49. Write for it on your business letterhead today.



# HAUSERMAN

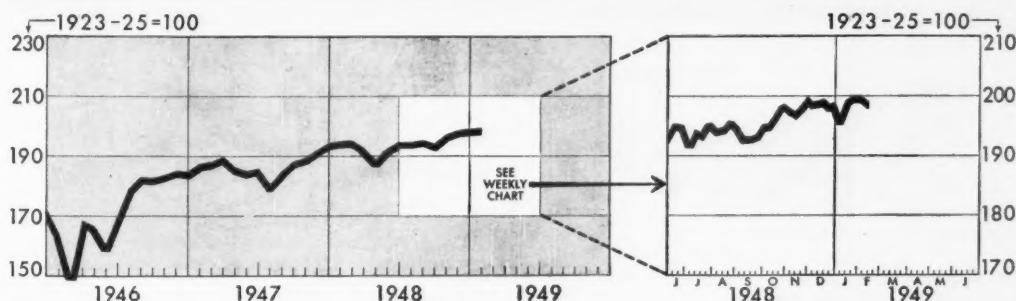
ALL-STEEL INTERIORS

**MOVABLE PARTITIONS • WAINSCOT • ACOUSTICAL CEILINGS**

**"For every commercial, industrial and institutional need"**



# FIGURES OF THE WEEK



**Business Week Index (above)** . . . . . \*199.0 †199.9 197.2 192.3 162.2

## PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Steel ingot operations (% of capacity).....	100.1	100.9	99.3	92.7	97.3
Production of automobiles and trucks.....	104,450	†116,471	98,422	82,717	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$27,067	\$27,127	\$23,109	\$19,832	\$19,433
Electric power output (million kilowatt-hours).....	5,778	5,810	5,742	5,412	3,130
Crude oil (daily average, 1,000 bbls.).....	5,351	5,439	5,454	5,333	3,842
Bituminous coal (daily average, 1,000 tons).....	1,743	†1,910	1,725	1,865	1,685

## TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	71	72	78	74	86
All other carloadings (daily average, 1,000 cars).....	43	46	50	47	52
Money in circulation (millions).....	\$27,556	\$27,561	\$28,151	\$28,124	\$9,613
Department store sales (change from same week of preceding year).....	-7%	+2%	None	+8%	+17%
Business failures (Dun & Bradstreet, number).....	145	136	128	97	228

## PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), Dec. ....	171.4				
Spot commodity index (Moody's, Dec. 31, 1931=100).....	376.7	†385.2	393.6	416.6	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	274.4	276.5	279.5	282.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	289.3	†300.6	312.8	379.7	146.6
Finished steel composite (Steel, ton).....	\$97.77	\$97.77	\$97.68	\$78.59	\$56.73
Scrap steel composite (Iron Age, ton).....	\$37.58	\$40.42	\$40.92	\$40.50	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	23.500e	23.500e	23.500e	21.500e	12.022e
Wheat (Kansas City, bu.).....	\$2.22	\$2.23	\$2.27	\$2.82	\$0.99
Sugar (raw, delivered New York, lb.).....	5.65e	5.65e	5.71e	5.45e	3.38e
Cotton (middling, ten designated markets, lb.).....	32.34e	†32.81e	32.36e	33.05e	13.94e
Wool tops (New York, lb.).....	\$1.671	\$1.712	\$1.721	\$1.845	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	18.67e	†19.10e	19.32e	20.65e	22.16e

## FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	118.5	121.2	123.3	112.2	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.44%	3.44%	3.48%	3.54%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.71%	2.71%	2.72%	2.86%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½-1¾%	1½-1¾%	1½-1¾%	1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½-1¾%	1½-1¾%	1½-1¾%	1½%	1-1¾%

## BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,945	47,665	47,437	48,226	††27,777
Total loans and investments, reporting member banks.....	62,696	62,852	62,638	64,879	††32,309
Commercial and agricultural loans, reporting member banks.....	15,318	15,381	15,361	14,644	††6,963
Securities loans, reporting member banks.....	1,960	1,948	1,728	1,417	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	33,268	33,411	33,484	37,315	††15,999
Other securities held, reporting member banks.....	4,184	4,171	4,185	4,212	††4,303
Excess reserves, all member banks.....	580	920	1,050	913	5,290
Total federal reserve credit outstanding.....	22,827	22,960	23,727	21,175	2,265

\*Preliminary, week ended February 5th.

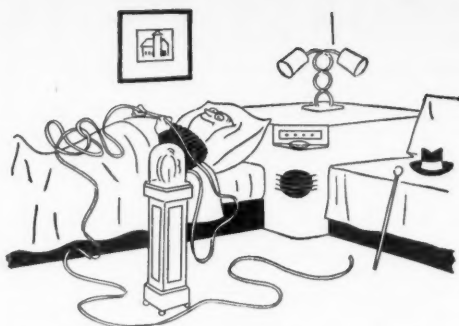
†Revised.

††Estimate (BW—Jul.12'47,p16)

‡Date for "Latest Week" on each series on request.



1. Frugal Fred, a financier and banker of renown, knew what a dollar *should* be worth, so when he came to town he looked for honest value—and he found the values best at friendly Hotel Statler, where you really are a guest.



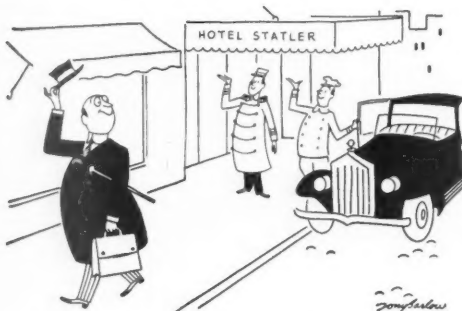
2. "My money brings a big return in Statler's room," he said. "Soft chairs, good lights, a radio, and *A-A-All* that Statler bed with its eight hundred springs and more—one guess what I intend. You just can't buy a better sleep no matter what you spend."



3. He soaked in Statler's steamy tub . . . he counted all the soap. "This wealth of snowy towels," he cried, "is all for me, I hope. Excuse a poor financial pun—I blush as I declare: I'm *bullish* on the Statler bath, although of course I'm *bare*!"



4. His dinner at the Statler pleased the frugal financier. "Your food is *great*, your prices *fair*, and both deserve a cheer! A banker likes deposits, so it isn't strange," said he, "I like a lot of Statler food deposited in *me*!"



5. "When time is money," Fred exclaimed, "you surely save a lot by being in the heart of things at Statler's central spot. In fact, in almost every way the Statler, to my mind, is sure the best investment any traveling man can find!"



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# WASHINGTON OUTLOOK



**TRUMAN'S PLAN FOR STEEL EXPANSION** is turning into a much bigger business than it sounded in the State of the Union message.

Point 1: It's not just steel. The industrial-expansion-minded New Dealers are talking of copper, lead, zinc, tin, fertilizer, aluminum, too; the list is growing.

Point 2: The scheme for government-prodded expansion is being bundled up into a single economic program, along with price control and materials allocation.

In effect, Truman is saying that the way to eliminate the need for controls is to increase supplies.

The argument runs like this: We must reimpose some allocation controls now, because many vital materials are too scarce to keep the economy healthy. But controls are at best only negative, short-term methods. We need, as well, government goals for expanding production to the point that rationing won't be needed.

Truman still wants business to take on the expansion job itself; only a handful of the New Dealers seriously want government to go into business.

And Truman is ready to offer inducements: government capital on an if-you-can't-sell-you-don't-repay basis, long-term procurement contracts to guarantee markets.

But if these aren't enough, Truman still would have government itself build plants.

Congress, except for the hard core of New Dealers, isn't sold on this tinkering with the economy—not yet, anyway. And Truman's job of convincing even his own followers is getting tougher as the heat slackens on prices and shortages.

But Truman is going to fight to put the program through.

O'Mahoney's joint economic committee hearings are the first steps. These are designed to document the need for more than Congress would prefer to settle for—a simple extension of the voluntary allocation program, perhaps mandatory back-up on a standby basis.

**THE NEW LABOR LAW** will be put together by votes on the Senate floor next month—not by speeches in the committee hearing room now.

Don't be misled by the appearances of the

moment that the Democratic majority is melting away. There's good evidence that, when the roll calls come, Barkley and Lucas can hold a majority against those Taft-Hartley curbs which are really unacceptable to the unions.

The Administration's problem, of course, is the southerners. So note that Lucas this week talked northern Democrats into deferring a showdown on civil rights. That can make it easier for the South to reciprocate on something Lucas wants—such as restoring the closed shop.

Much of the furor at the labor hearings has been over how to referee specific industrial problems—not whether to referee them.

For instance, nobody denies that the President must act to prevent a national labor crisis. Truman says he doesn't need the 80-day injunction in order to act. But he won't veto a bill that contains it.

Again, all that Truman's bill does about jurisdictional disputes is declare them an unfair labor practice. Actually, the building-trades unions would like some club behind the door to keep a raiding union in line. Not an injunction, of course, but perhaps summary action by the labor board which would be enforceable in court.

So you can look for some southerners to build back-home records by putting in such amendments as these. The same goes for non-Communist affidavits (for employers, too), "free speech" for management.

But we still expect the new law to:

Permit the closed shop.

Knock out non-emergency injunctions.

Restore the right of strikers seeking better wages or working conditions to vote in NLRB elections.

Permit unions to make political contributions.

Abolish Denham's job of autonomous counsel to NLRB.

Let foremen bargain (it isn't clear yet whether in unions of their own, or in rank-and-file unions).

**DIPLOMATS FROM LABOR'S RANKS** ought to be sent to U. S. embassies abroad, Truman is being told.

Two names carrying State Dept. O.K. are on the President's desk—George M. Harrison, head of the railway clerks, and Clint Golden, labor elder statesman now at ECA.

Harrison organized labor leaders behind Truman last fall after the A.F.L. refused an open en-

# WASHINGTON OUTLOOK (Continued)

dorsement. Golden is a veteran voice of labor in government trouble spots, once was high in steel-worker circles.

Truman is looking for places to put union leaders in nonlabor roles in government. If he goes to labor for ambassadors, Truman will send them to nations where unions have a big say in politics. Fair bet: a Scandinavian nation.

Another diplomatic precedent in the making is the prospective appointment of Ralph Bunche to succeed Bedell Smith as U. S. ambassador to Russia.

Bunche, now U. N. mediator in Palestine, would be the first Negro to hold such a high post.

**LIMITATIONS ON PLANTING** of corn, wheat, cotton, and rice are coming back next year.

That means the government again will tell farmers how many acres they can use to grow these basic commodities—as in the days of the huge surpluses of the '30's.

You saw Congress clearing the way this week. At Secretary of Agriculture Brannan's request, congressmen voted: (1) \$14-million to pay for the surveys and paperwork to put acreage allotments into effect; and (2) a law knocking out this year's whopping big plantings as a factor in calculating allotments.

The second action was necessary because farmers are ignoring Brannan's advice to cut back plantings to smaller postwar demand. Farmers, of course, are simply taking advantage of the last year of the wartime 90%-of-parity price support on all they produce of many crops.

The farm bloc is swinging back to government controls for protection against falling prices.

Prices already are generally at or below parity; the government is even getting set to support the price of butter. And the new break in farm-commodity prices (page 94) brings new cries for aid.

Brannan knows he has to do something. After all, the farmers helped elect Truman. And, more important, the Administration doesn't dare risk a farm crisis that could drag the nation into a depression.

Nobody seriously opposes acreage limitation any longer. The question is: How much price prop- goes with it?

Must Brannan yield to the growing farmer demand for continuation of the flat 90%-of-parity price floor;

Or can he convince farmers they will do as well under the flexible support formulas of last year's Aiken law?

Brannan thinks he can show the 90% boys that the Aiken law will give them, next year, as much as they could hope to get from Congress in any new law. He points to this: When farmers accept acreage controls, the Aiken law gives them a 20% boost in support-price guarantees.

This means that next year's supports, under the Aiken law, couldn't be much lower than they are now.

Behind Brannan's efforts to keep the Aiken law is its heretofore little-discussed revision of the method of figuring parity price.

Effect of this revision is to reduce the parity figure for grains and cotton in relation to meat and dairy products.

Thus, in Agriculture's view, you give the farmer added incentive to make his money from hogs and cows instead of grains and cotton.

Brannan figures this gives consumers more bacon, eggs, and milk—with less strain on the nation's soil resources. And only with a high-quality diet like this can U. S. consumers be expected to absorb the full output of the farms.

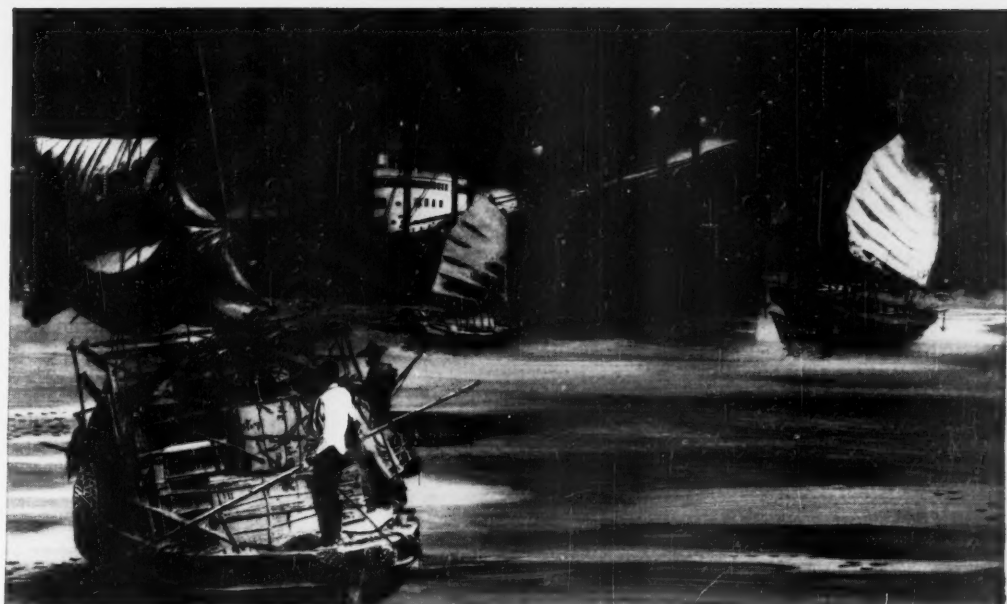
The record, of course, shows that acreage controls by themselves—whatever the price-support level—won't prevent glutting surpluses.

Prewar agricultural controls fixed the number of bushels of wheat a farmer could sell, as well as the number of acres he could plant. Such drastic marketing limitations are even more sure to be needed in the future. Farmers can get around cuts in acreage by using more fertilizer, better seed, and the like.

The Aiken law provides for fixing how much a farmer can sell. But this is politically unpalatable to the farmer. And Brannan hopes to get by at least the 1950 elections without having to impose marketing quotas.

• Real reason behind the delay in licensing more steel pipe for the trans-Arabian oil line: The Navy is jockeying for a lower price on oil for the Mediterranean fleet. . . .

• Bureau of Labor Statistics next month will sit down with the textile, clothing, and apparel industries to work out revision of the wholesale price index. Object: to include more of their items in the index.



## Sperry Radar...speeds runs...makes navigation safer on Orient trips...

**SAYS PACIFIC TRANSPORT LINES' CAPTAIN**

**C**aptain W. E. Stratton of the *S.S. America Transport* of Pacific Transport Lines finds Sperry Radar a valuable safety measure in the Orient while threading his way through fleets of unlighted junks... entering fog-bound, unmarked ports... or navigating through passages where war-interrupted lighthouse services operate erratically.

**Near Hong Kong...** Sperry Radar detected at night a fleet of unlighted junks keeping station on a single lighted junk. "Without radar," says Captain Stratton, "only that one lighted junk would have been sighted."

**In the Philippines...** Sperry Radar has frequently helped the *America Transport* to make night passages which except for radar would have been out of the question because of the many

war devastated lighthouses either discontinued or operating undependably.

**Taku Bar to Fusan, Korea...** During one run between these ports, Captain Stratton says that Sperry Radar helped him to save over three hours... and on another trip make Yokohama under visibility conditions which, save for radar, would have made entry impossible.

The *America Transport* and her sister vessels of Pacific Transport Lines are heavy modern freighters designed for speed and fast cargo handling in the Transpacific service.

For these and other vessels combining long crossings with stops at various ports... Sperry Radar affords a constant check on distances off shore and of all above-water hazards in darkness, fog, rain or snow... effectively shortens distances between ports of call... saves time and fuel on every trip.

For further assurance of schedule reliability, *America Transport's* equipment includes the Sperry Gyro-Pilot ("Metal Mike") and the Sperry Gyro-Compass. They form with Sperry Radar a trustworthy trio under all conditions.



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**Three brightness levels with one lamp.**  
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**Cooler. Long life.**

General Electric, who first introduced slimline fluorescent lamps—world's newest, most advanced source of light—now brings them to you in quantity!

G-E slimline lamps give you light in long, slender lines—up to eight feet in length. They make possible higher levels of illumination, plus attractive new lighting effects, in stores, offices, factories, schools, theaters, showrooms, bowling alleys, and many other places of business. Their outstanding advantages have been thoroughly proved in laboratory tests and actual installations.

#### HOW TO GET THE BEST ADVICE

Before you install new lighting, get the facts on fluorescent from your G-E lamp supplier. Find out how you can modernize your place of business with this new, streamlined lighting that gives stores, restaurants and theaters a brand new look, attracts customers and keeps them coming back. Lighting that helps increase employee efficiency and morale in offices and factories.

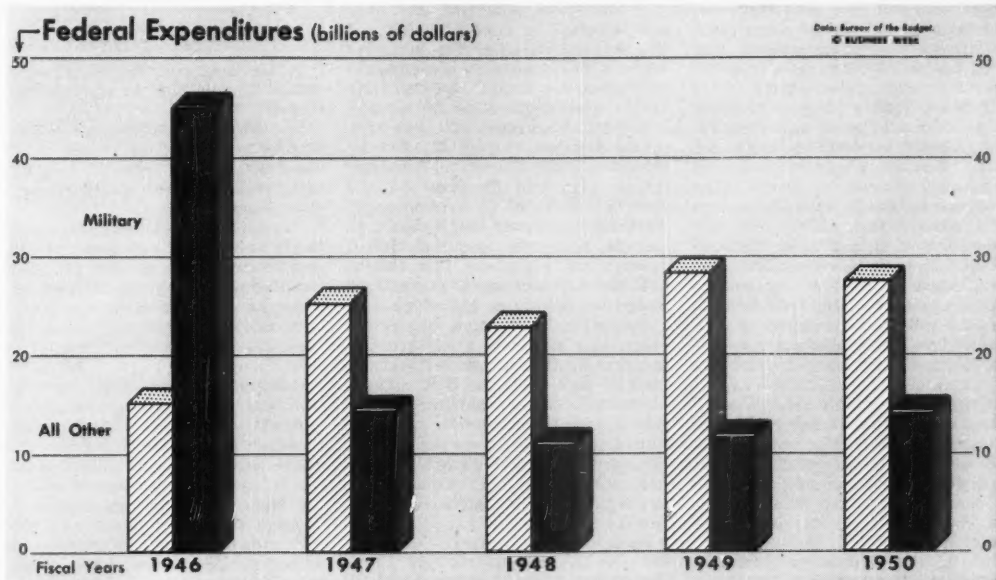
It pays to consult your G-E lamp supplier on any lighting job. More than anyone else, he has the experience and research back of him to give you the best lighting for your money. General Electric, Nela Park, Cleveland 12, Ohio.



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# GENERAL ELECTRIC



Military spending shows a rising trend. Probably it will continue. But what if we shift . . .

## From Cold War to Cold Peace?

There's some evidence that Stalin's "peace offensive" is serious. Businessmen need to weigh the possible results.

Businessmen need to keep at least one wary eye on Russia's "peace offensive."

The question is: What would it mean to business if it were real?

• **Qualifier**—For the past two years, businessmen have been laying their plans for the future on the unqualified assumption that the cold war with Russia would go on indefinitely. Now it may be time to loosen up that thinking.

You can no longer leave the possibility of better relations with Russia completely out of your calculations—even though the current maneuvering seems to get nowhere.

True, Stalin's "peace feelers" have been brushed aside. Until the North Atlantic pact is safely signed and ratified, Washington is convinced it would be foolhardy to entertain the idea that the Russians might be serious. But for the businessman, right now, it isn't Washington's feelings that matter; it's

Stalin's. And there is some evidence that Stalin actually is eager to get off the hook of the cold war.

• **Escape Clause**—The evidence is certainly not conclusive. But on a subject as crucial as this you don't dare ignore even marginal possibilities. It boils down to this: The situation is no longer clear. And until it clarifies, any long-term business plan that's based on continuation of the cold war needs to have an escape clause in it. It must allow for the drastic shifts in the domestic outlook which would result from a major change in the international picture.

• **Military Spending**—As things stand, the prospect over the coming years is for a constantly increasing military budget. But suppose the pressure of these military expenditures were relieved some time fairly soon.

Today the prospect of ever-rising military spending acts: (1) as a sort of guarantee against any drastic deflation

of the economy; (2) as a ceiling on the ambitious social-welfare projects that the Truman Administration has its heart set on; and (3) as a distorting force that might warp the economy into patterns that would prove completely unworkable in a peaceful world.

A constant or declining military budget would change all that.

President Truman would have more financial elbow room for his welfare programs, public works, and resource-development projects. The threat of inflation would recede to the remote horizon. The threat of deflation would mount.

These are big stakes. They make it well worth while to study even fragmentary evidence.

### I. Is Stalin in Trouble?

There are grounds for thinking that Moscow may now be anxious to settle the East-West conflict in Europe—anxious enough to be willing to call off the tactics that brought on the cold war in the first place. This would not signal

any change in long-term Communist strategy. The downfall of capitalism is still the Kremlin's goal.

• **Tactical Shift**—But Stalin does not make his policy in a vacuum. And he may have decided that this is a good time for a tactical shift. Why? Because for the moment: (1) Western Europe no longer looks like good ground for revolutionary upsets; (2) the Communist world has some pressing problems that could be tackled more easily in a less tense international atmosphere.

• **Overload**—Stalin's biggest problem seems to be right in his own backyard. The Russian economy is overloaded (page 101). Huge military production is chewing into the supply of civilian goods—goods which are badly needed in a country that still is only one jump ahead of destitution by American standards. Even worse, military demands are choking off the program of capital expansion. Steel can't be used for guns and for factories, too.

• **Satellites**—The satellite states in eastern Europe pose another problem. Communism and nationalism haven't mixed well in this area. And the satellite economies haven't helped Russian industry as much as Moscow expected; they have been too starved of industrial goods from the West.

More trade between eastern and western Europe—and between the whole Soviet bloc and the U.S.—could be one of the things that Stalin wants from an East-West settlement.

• **China**—On top of everything else, Russia has China to digest. For Moscow, the victory of the Chinese Communists is about the biggest thing since the Bolshevik revolution of 1917. But fitting a Communist China into the Soviet empire will be a tough job. The lengthening of Soviet frontiers alone will involve plenty in new transport and communications.

From where Stalin sits, this digestive operation may look like too big a job to take on in the midst of a two-front cold war.

But if Stalin could work out a settlement in Europe that would end the cold war there, and also give him more leeway in China, then his three-way consolidation problem might look more manageable.

## II. An Easy Transition

Easing of the cold war would make Stalin's problems easier in every way. What problems would it raise or ease for the U.S. businessman?

• **No Shock**—In the short pull it would make surprisingly little difference.

At the moment, the U.S. is hanging in a precarious balance between inflation and deflation. The balance seems to be tilting slowly toward deflation—in spite of a military budget scheduled to

hit \$14.3-billion in the fiscal year ending June, 1950.

But military spending could easily go higher—beyond the \$14.3-billion now budgeted. The Army, Navy, and Air Force want more money this year; even a slight warmup in the cold war would get it for them.

What's more important, the military can count on more next year, and still more the year after that—unless relations with Russia take a better turn.

• **Inflation**—Any time the military budget goes much above its present level the U.S. economy will swing back toward inflation. Edwin G. Nourse, chairman of the Council of Economic Advisers, has told President Truman that \$15-billion is the critical point. Anything much over that is likely to kick the wage-price spiral into action again.

If the cold war stops, the military budget won't go over \$15-billion.

It won't go much below, either. No conceivable settlement would generate so much international warmth as suddenly to melt down the U.S. military program. It will be a cold peace, if any, that succeeds the cold war.

And, in any case, a great deal of military spending involves research, occupation expenses, and other items that are connected only indirectly with the Russian threat.

• **Foreign Aid**—"No change" would be the story on European aid also. Little change would remain that it would be expanded substantially—there would be little or no military lend-lease, for example. But it wouldn't be cut much, either. That would be playing into Stalin's hands.

So, the big immediate effect of any East-West settlement would be to remove the worst threat of inflation—open-ended military spending. The present uneasy balance, with its gentle tilt toward deflation, would continue. Eventually the scales might swing sharply down. But if they did, they would be moving under their own weight, not in response to the change in the international situation.

• **Psychology**—Of course, there would be a psychological shock to business. Companies that have counted on military spending to keep the country going full blast would have to take a new and more critical look at their markets. Some might decide to postpone expansion plans. Others might get worried about their inventories. Business in general would be more cautious, less confident that the boom was going to last.

But you can set this on the other side: There would be no tax increase. And as soon as military spending settled down, there would be more and more talk of a tax cut. Congress already is reluctant to consider a tax

boost this year. It would leap at a good excuse to ignore Truman's demand for higher levies.

In short, the transition would be easy, almost painless. There would be nothing in the economic indicators to mark the point where the U.S. shifted from a cold war to a cold peace.

## III. The Direction Changes

In the long pull, that shift would change the course of the economy profoundly.

For one thing, the Truman Administration would get its chance to go ahead with civilian spending programs that the big military budget has kept under wraps.

As soon as the admirals and generals took a back seat, you could expect Truman to come up with elaborate plans for development of natural resources, expansion of public works, broadening of social welfare programs. And you could expect Congress to put most of them through.

• **Stabilization**—There would be more than New Deal ambitions to bring these programs forward. They are Truman's answer to a fundamental problem that would emerge as soon as military spending slackened off—the problem of making the business boom go on indefinitely under its own steam.

• **Experiment**—Truman is counting on welfare spending of one sort or another to take its place. Nobody knows whether that would be enough to sustain the boom indefinitely. It has never been accomplished before. But the public spending that Truman has in mind has never been tried before, either.

• **Planning**—But there's a tremendous social and economic difference between welfare pump-priming and military pump-priming. It makes the government's role in the economy—its importance to business—greater than ever.

Military spending doesn't really alter the structure of the economy. It goes through the regular channels. As far as a businessman is concerned, a munitions order from the government is much like an order from a private customer.

But the kind of welfare and public-works spending that Truman plans does alter the economy. It makes new channels of its own. It creates new institutions. It redistributes income. It shifts demand from one industry to another. It changes the whole economic pattern. That's its object.

The shifts in government spending that would come with an end of the cold war would make a lot of difference to individual industries. They would make a tremendous difference to business in general.

It is the possibility of these shifts that business plans now have to take into account.

# Federal vs. State Regulation

That big battle is being fought over beer on the West Coast; but the outcome could affect many other fields—such as bread and milk. FTC accuses 27 brewers and their associations.

In California, a member of the Board of Equalization (liquor authority) once said: "We are God."

• **Cynical FTC**—But you can't convince the Federal Trade Commission that that's true. Last week FTC brought action against 27 West Coast brewers and their statewide associations in California, Oregon, Washington, and Idaho. They were charged with fixing prices and terms of sale.

By implication, FTC is just about saying to industry: "Sure, the state liquor authorities regulate you; but they are really your tools. They fix prices for you, and help you keep eastern competition out of your area. So we are accusing you."

• **Brewers' Questions**—The West Coast brewers, of course, bitterly resent FTC's action. How, they demand, can you live up to state laws and still avoid federal conspiracy charges? Further, they have these pointed questions:

(1) If state liquor boards are the mere tools of industry—as FTC implies—why weren't any legal counsels, lobbyists, etc. named in the action? Surely some must have been involved—if the charges are true. Industry just can't run state boards by telepathy.

(2) Isn't it logical that the unions would have figured in the background, too? Wouldn't they like to keep out competition to protect their jobs?

On such strident notes, hearings will begin sometime before summer.

• **Implications**—And the case goes beyond just beer, wine, and whisky. A whole range of commodities—including bread and milk—could some day figure in similar actions. For often local regulations have the effect, if not purpose, of protecting home trade against competition from the outside.

Price-posting, for example, is part of the alcoholic control laws of the four states covered in FTC's action. And California's so-called "certificate of compliance" is an even more specific case in point.

• **Certificates**—Brewers who ship into California are required by the state Board of Equalization to sign a certificate. This is virtually a pledge binding the shipping (outside) brewer to comply with board rulings.

True, the certificate system has been challenged by shipping brewers in the courts for years. But while the court contests went on, the California legislature embodied the system into law in 1945. It still stands—but probably

not for long, for 10 days after FTC's complaint was signed and sealed, the attorney for the Board of Equalization recommended that the certificates be dropped. (A week later, when the FTC complaint was made public, however, he said that there was no connection between his recommendation and FTC's action.)

According to the board, the row over the certificate of compliance has been a sham battle, anyway. The shipping brewers who challenged the system, say board members, were as anxious as anybody to get in on the price and volume data made possible through the reports required of brewers.

• **Retailers' Complaint**—The board's apparent indifference, however, is not shared by at least one retail trade association in the liquor business. The package store dealers are up in arms over what they fear is a concerted weakening of the prices.

In last month's newsletter from the Southern California Retail Liquor Deal-

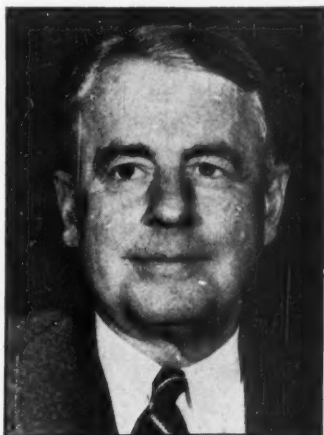
ers there is a hot editorial over the news that Schlitz has decided to remove its beer from the state's optional fair-trade agreement. Schlitz's break in the ranks was met with outraged ire. The trade association's editorial is clear about the retailers' mood:

"Retailers, remember, if you let Schlitz get away with this—you can expect to sell beer pretty soon at the same margin of profit that you get from cigarettes. So—get on the ball. Let Schlitz know how you feel. Tell them what you are going to do. And do it."

But the big, broad power to do, or not to do, anything about beer prices rests not among the retailers. That power lies higher up. It is lodged, via state law, in the state control board.

In its 1947-48 annual report, the California board frankly proclaims that it, "unlike most other state-wide administrative agencies, has specifically been given adjudicating power—that is, the right to make determinations of fact which are not subject to re-examination in a trial de novo in the superior court."

• **Significance**—It's the feeling in California that the FTC hearings may throw some light on the creation of state political agencies of such vast power. In fact, it is this prospect that gives the FTC proceedings their great significance.



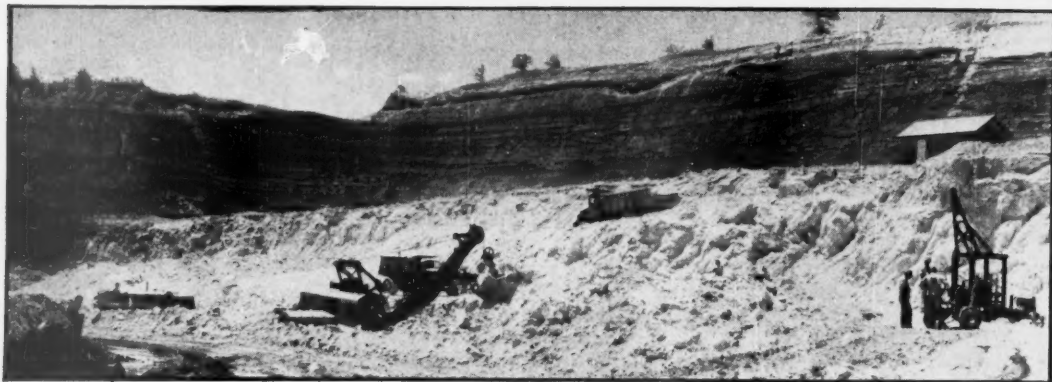
## Taking Over New Jobs in Washington

Two old hands on the Washington scene were reaching for new work this week.

James Knowlson was elected to head the business advisory committee of the Dept. of Commerce. He succeeds John Collyer, president of B. F. Goodrich Co., who has just finished out two years in the post. Knowlson, a Republican, was vice-chairman of the War Production Board from 1941 to 1943. He is head of Stewart-Warner Corp.

Mon C. Walgren, defeated as governor of Washington in the November elections, was named by his old Senate crony Harry Truman to be chairman of the National Security Resources Board. He succeeds Arthur Hill, who resigned in December to resume the chairmanship of Greyhound Corp. Walgren's cabinet-level job is to supervise over-all plans for mobilizing the nation's resources in case of war.

## HOW BAUXITE IS MINED

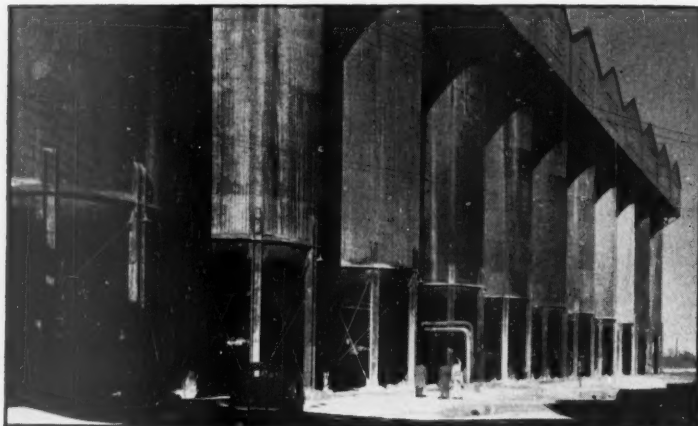


1 Steam shovels and heavy trucks work open-face bauxite deposit of Reynolds' mining subsidiary in Arkansas near Bauxite, Ark.

## HOW ORE IS TREATED



1 At the Hurricane Creek plant, the bauxite is mechanically pulverized and chemically treated to separate the aluminum oxide from the ore. Here, near the end of the process, aluminum-carrying liquor is swirled continuously for two days in . . .



2 Vast precipitation tanks: In these, aluminum hydrate separates out. Dried, this becomes alumina, which is converted into aluminum at the Jones Mills reduction plant

# Aluminum

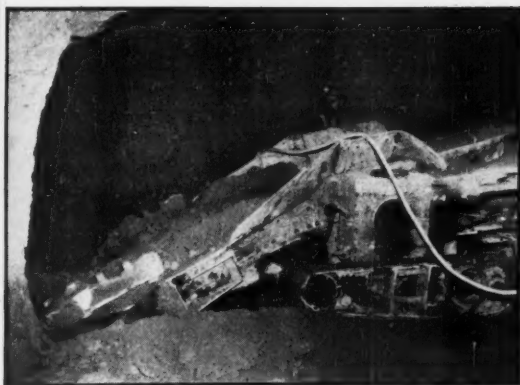
Reynolds Metals Co. has pulled one of the biggest business coups of this or any year. It has contracted to supply most or all of the aluminum-wire needs of the nation's electrical co-ops for eight years—and maybe for 14 (BW—Feb. 5 '49, p. 28). This may involve something like \$180-million. It means that Reynolds is going to get in the aluminum-wire business in a big way—and change the whole competitive picture in that business almost overnight.

In fact, it means so many things that the industry this week is only beginning to sort them all out. Only one thing is certain: Reynolds has thrown a bombshell. And a lot of people—aluminum producers, wire makers, distributors—don't like it one little bit.

• **More Power**—Here is just one of the many facets of the deal: Reynolds couldn't have gone into it without increasing its output of aluminum. To do that, it had to have more power for its Arkansas bauxite and production operations (pictures). That would make it possible to reopen two idle pot lines at its Jones Mills reduction plant, double the present output of 70-million lb. of aluminum pig a year.

So Reynolds had to make a deal with Arkansas Power & Light Co. for 75,000 additional kw. This will be delivered by two new generators, which will be installed by October. But to get things going before then, Reynolds is working out an "interim" arrangement with the company to deliver enough power to operate one pot line by spring. This is a complicated deal. The Grand River Dam Authority will supply some power, which A.P.&L. will transmit. And A.P.&L. will scrape up some extra kilowatts itself, in exchange for which Reynolds will turn over some of the power





2 Underground mines also furnish bauxite ore



3 From mines, bauxite goes to Reynolds' Hurricane Creek plant

## Bonanza

### HOW ALUMINUM IS MADE

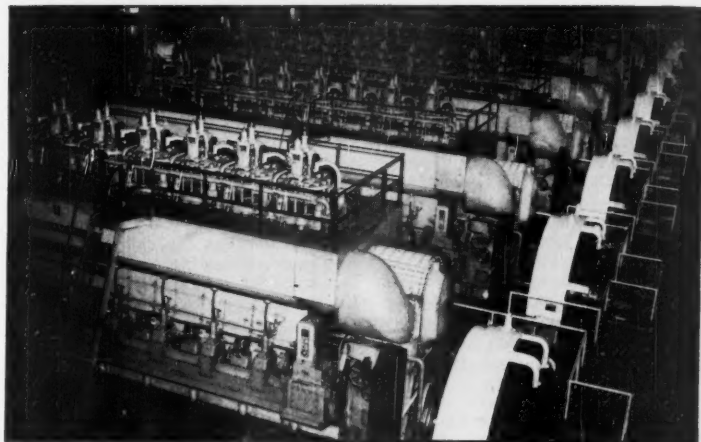
from its nearby Hurricane Creek plant. The contract was still hanging fire this week, but will probably go through soon.

#### I. Wire for the Co-ops

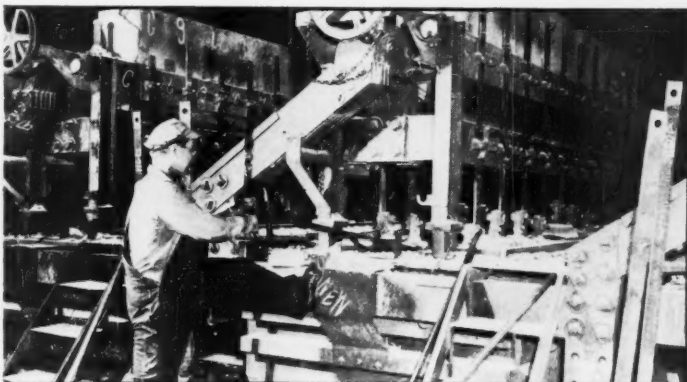
Here is the skeleton of the deal between Reynolds and the co-ops:

Reynolds will build new facilities to make aluminum rod, convert it into ACSR (aluminum conductor, steel reinforced). At present, Aluminum Co. of America has the nation's only plant for the manufacture of EC (electrical-conductor) rod, though Henry J. Kaiser's Permanente Metals Co. will open up a plant at Newark, Ohio, in July. And Alcoa plans a new one at Vancouver.

• **Guarantees**—Reynolds guarantees to deliver to the Wisconsin Electric Cooperative (as agent for Rural Electrifica-



1 Key to aluminum production is electricity. Diesel generators at Jones Mills deliver 1.7-million kwh. daily for electrolysis process—not enough for Reynolds' expansion



2 In pot room, alumina is fed from overhead hoppers into a bath of cryolite. Carbon electrodes are lowered into this; current passing through bath separates aluminum



3 Molten aluminum is poured into ingot molds after being drawn off from pots

tion Administration power-distribution co-ops) up to 715-million lb. of ACSR, beginning Feb. 1, 1950. It will furnish 225-million lb. over the first three years, 50-million lb. a year for the next five years. For the final six years, Wisconsin Electric Cooperative may buy up to 40-million lb. a year.

W.E.C. will distribute the wire to the co-ops, and it also hopes to sell to public power agencies—the Tennessee Valley Authority, municipalities, and others. The Wisconsin co-op has been distributing electrical hardgoods in the Middle West for 10 years; under the new setup it will extend its operations across the country.

• **Advance**—The co-ops for their part agree to buy all their conductor needs from Reynolds via W.E.C.—except for contracts already made—from February, 1950, through February, 1958. They will put down an advance payment of 4¢ a lb. on 1950-to-1953 commitments. W.E.C. will keep 1¢ of this, turn the other 3¢ over to Reynolds. By May 14, 1949, Reynolds must have \$6-million in advances—or the deal is off. This money will help finance the company's expansion program.

If the co-ops haven't money on hand to pay the advance, they can borrow it from REA. This, say critics of the deal, amounts to government financing for Reynolds.

The base price for the ACSR has been put at \$25.90 a cwt. And the price will vary up or down according to an escalator clause that takes into account changes in ingot, steel-core, and labor costs.

## II. Worries for the Industry

That is the bare outline of the plan that has set the aluminum and electrical industries on their ears. Here's why it's so upsetting:

(1) Electrical-goods distributors face the very real possibility of competition from a nationwide co-op distribution network. It starts with the wire, but it might get into line accessories, transformers—anything a co-op buys except power.

(2) Reynolds will become a more fully integrated aluminum company, that can offer stronger competition to Alcoa and Kaiser. It will have the benefit of low-cost financing. And there will be a ceiling on its competitors' sales of aluminum wire to co-ops.

• **Shortage**—Behind the whole deal lies this fact: The basic trouble is not a shortage of capacity to produce ACSR. The catch is shortage of aluminum ingots. In fact, independent cable manufacturers already have the capacity to turn out a great deal more wire than they now are able to—if they had the ingots.

The postwar shortage of ACSR has

been tough on utilities and co-ops both. The demand for it is terrific, for several reasons. For one thing, it has been estimated that co-ops can save up to \$150 a mile in first cost using ACSR rather than copper-type conductor. It's lighter, which means lower stringing costs, and the wire itself costs less. (Aluminum prices are 20% below prewar; copper prices are higher.) But the aluminum industry isn't anxious to push wire sales at the expense of its other lines. All this helps explain why orders for ACSR are backlogged as much as four years.

## III. Why Reynolds?

The Reynolds deal was a resounding victory for the National Rural Electric Cooperative Assn., a personal one for its aggressive manager, Clyde T. Ellis. Ellis says he "pleaded" futilely with aluminum producers for more ACSR. For a while he even considered setting up a co-op wire producer in a surplus California war plant.

Finally Ellis turned to Reynolds and for once found a sympathetic ear. This was not pure accident: Some 60% of Reynolds' business is done in the rural market—and furthermore Reynolds had those idle pot lines in Arkansas. Ellis smoothed the way for a fast start: He made the arrangement with Grand River Dam Authority—for which Ellis' association had done past favors.

Hammering out the details of the complicated transaction took weeks. In the course of it, the National Rural Electric Cooperative Assn. picked W.E.C. as agent.

• **Advantages**—The agreed price of \$25.90 a cwt. is higher than Alcoa's \$22.69. But those familiar with the deal say that:

(1) Co-ops are now paying a higher average price for their conductor than Reynolds' aluminum-wire price, because the co-ops now buy a lot of higher-priced copper wire.

(2) A lot of co-ops have to pay a stiff freight differential on wire shipped from Alcoa's Massena (N. Y.) plant.

(3) The co-ops may get delivery of ACSR very soon. In fact, Reynolds will begin to ship ingots in 60 days, if the interim power deal goes through. W.E.C. has made arrangements with Alcoa and independents to roll and draw this metal until Reynolds' new facilities are built.

## IV. Free-for-All

Even before that, the whole operation will have become the center of a spirited free-for-all. You can see that from the complaints that have been lodged so far:

• Sen. Kenneth McKellar—not unexpectedly—has protested in writing to Secretary of Agriculture Charles Bran-

nan. His gripe: the loans that the co-ops may get from REA.

• Southern Electrical Corp., a wire fabricator, has publicly offered to buy Reynolds' aluminum at 10% above Alcoa prices, sell wire at the W.E.C.-Reynolds price—with no advance payments required.

• General Cable Corp., Graybar Electric Co., and others are irritated by the higher price that W.E.C. is paying for wire under the contract. Also, they don't like to see the market sewed up by a newcomer.

• Distributors criticize the 1¢ a lb. that W.E.C. will collect for distribution. Some say they would love to handle it for a ½¢ a lb.

Where these rumblings will lead is hard to say. They might very well result in hearings before the Senate Small Business Committee.

## V. More Output for Reynolds

Reynolds is the only U. S. aluminum producer wholly dependent on domestic ore. About 60% of the bauxite used in the U. S. comes from the West Indies.

• **Arkansas Operation**—Reynolds' Arkansas venture began in 1946, when it leased two plants—the Hurricane Creek alumina plant and the Jones Mills ingot plant—from the government. It also purchased and leased bauxite deposits nearby; how much, it has not disclosed.

The bauxite operation is handled by a subsidiary, Reynolds Mining Corp. Reynolds can afford to mine some fairly low-grade ore, because the haul to Jones Mills is so short. But only a part of the ore mined ends up at the Arkansas plant; the major part of it goes to Reynolds' plants at Listerhill, Ala.; Longview, Wash.; and Troutdale, Ore.

• **Increased Output**—Reynolds says that it now produces about 28% to 30% of the nation's aluminum pig. Its total annual production runs to some 370-million lb. When the idle pot lines at Jones Mills get into production, Reynolds' output will be increased to 440-million lb.

Doing this will be a considerable operation. Reynolds will have to spend \$2-million to \$3-million to get the two pot lines going again (new bus bars to bring in power will cost \$1.5-million alone). It must also open a new section at Hurricane Creek to supply more alumina.

• **Total Cost**—All told, it will cost Reynolds from \$20-million to \$26-million to do the whole job of getting into the production of aluminum bar and wire. That estimate includes \$10-million that Reynolds is spending to develop bauxite fields on the island of Jamaica. Reynolds knows that domestic reserves are "diminishing rapidly." So it has acquired rights to fields in the West Indies, just in case.

# What Price Federal Reorganization?

Congress may hamstring Truman's powers despite Hoover plea for full authority. Prestige of ex-President may help.

This week Congress was in the process of giving President Truman some of the power he needs to reorganize the federal government. And at the same time, ex-President Herbert Hoover is telling him what reorganization is needed.

• **Closely Tied**—The two moves are closely tied to each other. Truman is depending on the Commission on Organization of the Executive Branch of the Government—the Hoover commission. But the commission, in a much larger sense, is dependent upon Congress to put that advice into practice. Unless the reorganization bill Congress sends to Truman is really free of prohibitions, the commission's work can go for naught.

Hoover, the commission chairman, is the first to say it. Hoover's view, based on first-hand experience, is this: Any deviation from a law that gives the President complete reorganization power will defeat the whole project. The only check on the President should be a limited congressional review.

• **Prime Issue**—So the prime issue is not what Hoover's group comes up with in detail, but rather the extent to which Congress listens to Hoover's plea for a bill that won't hamstring Truman. And the bill the House passed, H. R. 2361, is not the clean, unrestricted legislation the Hoover commission asks.

The Hoover commission says: The power of the President to make plans of reorganization should not be restricted by limitations of exemptions. It recommends that Congress' check be a veto—that is, a vote of both the House and Senate to turn down a particular reorganization plan within 60 days after the President submitted it.

The House bill says: The President may draw up an interagency reorganization plan, but he can't include in it the Military Establishment, the Federal Reserve Board, the Securities & Exchange Commission, the Interstate Commerce Commission, the National Railway Adjustment Board, the Railroad Retirement Board, the National Mediation Board. If he wants to revamp any of these organizations, he will have to submit each in separate plans.

• **More to Come?**—From the way things are going in the Senate Expenditures Committee, it looks as if other exemptions may be added. It's not hard to figure out why. Congressmen are quite



CHAIRMAN Herbert Hoover's commission has backing of Truman—but not Congress

conscious of the activity of government agencies in their home districts—say the Soil Conservation Service, or the Army Corps of Engineers. Those agencies attract congressional followings that approach hardcore blocs when the votes are taken.

For example, Chairman John McClellan of the Senate Expenditures Committee is from Arkansas. He is a leader in the regional campaign for Mississippi River development. Army engineers are spending millions of dollars in the Mississippi Valley on flood control. Result: McClellan is unalterably opposed to any tampering with the civil functions of the Army engineers.

McClellan is also a member of the Hoover commission. But he won't go along with the commission majority's recommendation that the Army flood control and the Interior Dept.'s reclamation and power programs be merged into a single-headed public works setup. The House followed McClellan: It left the Military Establishment out of a general reorganization plan. That immunized the Army engineers from any such merger.

• **Prestige Factor**—The prestige of the Hoover commission might weigh heavily enough on the Senate to strip the reorganization bill of any exemptions. Certainly Hoover, as the commission's spokesman, is fighting for just that.

The commission is emphasizing that Presidents have sought six times to modernize the executive branch of government to keep pace with the times. And each time, because of exemptions

and restrictions in the law, the effort has been given up—or has ended in a futile game of reshuffling.

• **New Approach**—This time the commission is trying to make its point by bearing down on government costs, on a sprawling bureaucracy that irritates the public, and on the idea that the sheer bigness of government demands efficient management.

Within the next month, the commission will send Congress about 15 major reports. They will cover subjects ranging from national defense to Indian affairs. Those reports reflect 16 months of work by over 300 paid and advisory experts—and a cost of \$2-million.

• **The Assignment**—The 12 men on the commission—six Democrats and six Republicans—have hewed closely to this assignment: Find ways of improving the existing programs of the government without regard to differences over the merits of the programs.

That amounts to a turnabout from the trend the commission work was taking prior to Election Day (BW—Sep. 11 '48, p. 25). Then the commission openly said its policy was one of deciding whether an activity—government lending, for example—should, in fact, be abolished. The study groups that did the preliminary fact-finding for the commission made conclusions on policy in many cases—for instance, the lending-agencies study group recommended a virtual end to this government activity.

• **The Center**—Now the major recommendations center around budgeting, accounting, personnel, merging of field offices of various governmental programs, and the like.

Even formal estimates of budget savings that the various reforms would make have been dropped from the commission reports. Hoover made that very important promotional concession because Democrats on the commission (like James Rowe, once an assistant to President Roosevelt, and Secretary of State Dean Acheson) insist that you can't document such savings estimates.

• **Truman Satisfied**—Indeed, the commission has performed to the satisfaction of Truman, who, after all, has most at stake in government reorganization. The enthusiasm with which Truman has endorsed the Hoover study can be laid only to this:

Truman has learned that government officials entrenched in an agency or bureau practically have to be forced to make reforms. He recently complained that he finds himself having to "kiss" subordinates to do the job they are hired to do.

• **The Outlook**—If Congress gives Truman a reorganization law flexible enough

to do a major overhauling, the President is ready to shape his plans to the Hoover commission findings. Even if the law is imperfect, he can do many of the things the commission recommends by executive action.

But Hoover, making what he calls his last public service, fears that unless broad powers are granted the President, the fate of the commission's work may well be: File and forget.

## Greyhound Bus to Get Michigan Competition

Great Lakes Greyhound Lines, Inc., has had a tight hold over highway travel in eastern Michigan. Now it looks as though American Buslines, Inc., rapidly growing network subsidiary of Burlington Transportation Co., might loosen Greyhound's grip. It has won a state franchise from Bay City south to the Ohio line.

• **Fight**—The authority to operate was granted American Buslines after a fight of several months. During that time, Greyhound contended that its service—hourly through the day for most of the route—was entirely adequate.

Some spice is added to the competitive picture by the fact that Manfred Burleigh, president of American, is the former president of Great Lakes Greyhound. He left his Greyhound job less than two years ago to take charge of the Chicago-based Burlington affiliate. Almost at once he set his sights on the target he knew best—the richly traveled eastern Michigan route.

• **Route**—The line runs from Bay City through Saginaw, Flint, and Pontiac before reaching Detroit, then travels down through Monroe. Infrequent train service along that strip has made bus patronage heavy. Burleigh's line, however, will not share in one rich segment of the route—American cannot carry commuter passengers from suburbs north of Detroit.

American plans to set up six runs in each direction daily, with about 25 of its flossy buffet parlor coaches in service. Negotiations for terminals and garage facilities will begin immediately.

• **Other Plans**—This segment of line is but one part of American's aims and hopes. It has already filed a request with the Interstate Commerce Commission for a franchise from Monroe, on the Michigan-Ohio line, south to Dayton, Cincinnati, Louisville, and intermediate points.

American-Burlington's system routes are mainly East-West today. One major transcontinental route now runs from the West into Chicago, through Cleveland to Pittsburgh and the East; a second comes up from the Southwest to St. Louis, then to Pittsburgh.

## Power Plans

Electric utility expansion will continue beyond 1951, says Electrical World, but at a somewhat slower rate than now.

"The largest plant-expansion program of any U. S. industry." That's how power-company spokesmen describe the way electric utilities are building new capacity. There's a firm program running from the end of 1947 through the end of 1951; it will increase the industry's generating capacity about 50%—from about 50-million kw. to about 75-million (BW—Oct. 23 '48, p. 20).

But then what? Will the industry stop building? Will new capacity simply balance retirements? Or will the rise continue? And if so, how fast?

• **Answer**—Last week, for the first time, someone ventured an answer to those questions. Electrical World had made its own survey, had gathered data from government and industry. It announced: "Generating capacity of 90-million kw. . . is indicated . . . in 1955."

That means there will be only a slight decline in the rate of increase after 1951: 15-million kw. in the next four years, against about 25-million in the preceding four. It's still a big rise. If the prediction is correct, the electric industry will have built almost as much new capacity in 10 postwar years as in its whole previous history.

• **Cost**—Total expenditures between now and 1956, the magazine estimates, will come to about \$15-billion—and that's excluding the Rural Electrification Administration and federal power projects, which can be expected to add \$5-billion more.

The peak of capital expenditure, the magazine says, will probably come in 1951.

• **Power Output**—By 1955, it is estimated, total output of electric utilities will come to about 410-billion kw-h. That compares with 282-billion last year, 222.5-billion in 1945—and only 92.2-billion in the boom year of 1929.

## No Tax Deduction On Time Buying

Wouldn't it be nice if your business could buy new equipment on time and handle the payments as operating expenses?

• **Like and Dislike**—Some small companies have liked this scheme so much that they have tried it. But the Bureau of Internal Revenue doesn't think very much of it. And in a decision that is just beginning to percolate, the U. S. Tax Court has backed up that dislike.

The case in point involved a textile producer—Judson Mills of Greenville, S. C. Back in 1939, Judson "leased" new equipment from three machinery manufacturers.

• **Terms**—Under terms of the leases, the company was permitted:

(1) To make monthly rental payments for periods of about five years.

(2) To acquire title to the equipment at the end of rental period by paying a relatively small additional sum.

(3) To pay interest monthly on the unpaid balance due the companies, until title changed hands.

• **Deduction**—In making out its tax return for 1940—the first year under the machinery leases—Judson charged off \$31,000 in rental and interest payments as costs. In other words, the company deducted them from its taxable income.

After going over the return, BIR disallowed the rental and interest deductions. Judson, the bureau said, owed another \$3,400. The bureau reasoned that those so-called rental payments were actually instalment payments toward eventual purchase of the equipment; the purchase option was evidence of Judson's growing equity.



## Airmail Volume Soars

Airmail business in 1948 consistently ran ahead of that in 1947. And in December, it set a record high; business was almost 40% higher than it was a year ago. Postoffice officials say that a big piece of this extra business comes from the newly created airmail parcel post. They hope that growing use of this service will bring even greater volume.



# The Federal Budget and Taxpaying Capacity

*The choice between higher taxes and a budgetary deficit is one that can and should be avoided.*

Nearly four years after the end of the war the country will enter a fiscal period in which the Government's tax levy on the public, on the basis of existing income-tax legislation, is expected to be only 8½ per cent below the wartime peak. Yet this tax load is expected to fall \$873 million short of meeting expenditures. To wipe out the deficit and provide for debt retirement the President recommends an increase of \$4 billion in taxes, exclusive of about \$2 billion of social-security taxes.

The President is right in insisting that a time of large income and full employment is a time when the Government should have a budgetary surplus and the national debt should be reduced. It does not follow, however, that the surplus must be obtained by raising taxes above the wartime level. The budget message describes the amounts of contemplated expenditure as "minimum requirements" for the next fiscal year. But "minimum requirements" is a relative term, the meaning of which depends not only on need for money but also on ability to supply money under existing conditions.

Two of the President's revenue proposals are particularly open to question. One of these is the recommendation that the addition to the tax burden fall on corporations and on individual taxpayers in the middle and higher brackets. These are precisely the sources to which business enterprise must look for venture capital. From the strictly economic point of view, it would be more desirable to broaden the tax base by laying at least a share of the additional burden on the consumers whose accumulated demand has been such an important factor in the inflationary pressure of the postwar period.

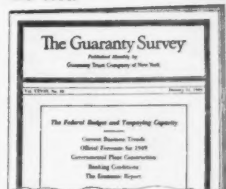
The other questionable proposal is that Federal tax policy be "flexible." To a taxpayer, flexibility and instability are virtually indistinguishable; and one of the most unsettling features of taxation in recent years has been the unpredictability of tax rates. It is likely that a revenue policy aimed at the

very opposite of flexibility would be more conducive to long-run economic welfare.

There is reason for disappointment also in the President's insistence on immediate action in directions where further increases in expenditure might well be deferred. It is difficult to understand why public power programs, such as the extension of the Tennessee Valley Authority plan to other great river basins, must be undertaken this year, why the St. Lawrence waterway project must be started immediately, or why public housing, slum clearance and Federal aid to education—irrespective of any arguments for their necessity or desirability—must be pressed at this particular time. These are highly controversial questions. There is widespread doubt whether they fall within the proper sphere of action of the Federal Government, regardless of budgetary conditions. At a time when taxes close to the wartime level are required for essential functions, it would seem appropriate to postpone consideration of deferable projects.

It would be a disastrous mistake to let the abnormal conditions of the war and early postwar years lull us into a false sense of security concerning the taxpaying capacity of our economy. Already the intensity of demand is subsiding noticeably in numerous directions. If this tendency continues, as eventually it must, the ceiling of tolerable taxation will drop accordingly. No one can foretell at what point an annoying burden will become a fatal deterrent to enterprise; but that such a point exists is beyond question, and wise policy will certainly refrain from putting the matter to the test.

—From an article in the current issue of THE GUARANTY SURVEY, monthly review of business and economic conditions published by Guaranty Trust Company of New York, available to executives on request.



## Guaranty Trust Company of New York

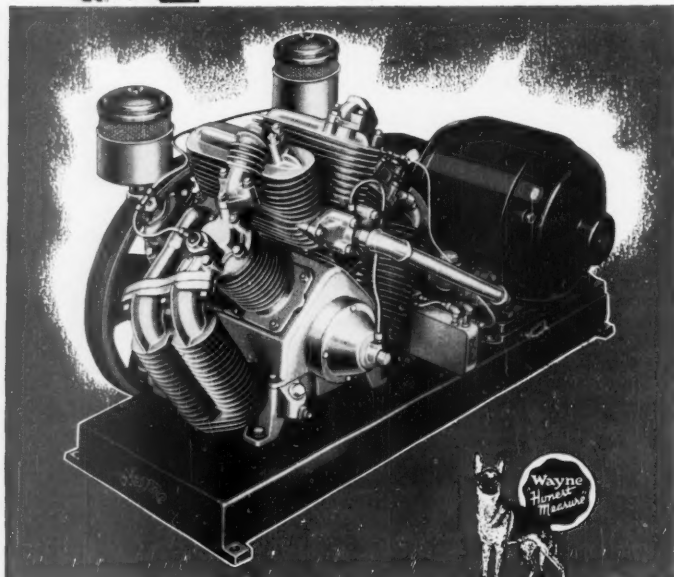
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## BUSINESS BRIEFS

Joseph W. Frazer, auto maker, has formed a company to mass-produce organic compost from cannery leavings, sewage sludge, farm waste, and the like. His Pennsylvania pilot plant turns it out in five days, as against a year or more by ordinary methods. Price of the compost will be competitive with chemical fertilizers.

An \$8-million cement plant is in the cards for North Carolina—thanks to local shortages and the effects of the ban on delivered-pricing (BW—May 1 '48, p.24). Capus Waynick, of Raleigh, heads the businessmen and industrialists backing the project.

A Swiss-owned company, Brown Boveri, will furnish two turbo-generators made in Zurich for Cleveland's municipal light plant. Its bid was about \$1-million—roughly \$500,000 under Allis-Chalmers, Westinghouse, and G E.

Two long-haul truckers on the Pacific Coast may merge. West Coast Fast Freight has ICC permission to operate Spokane Pacific Lines on a six-months' lease. Full purchase—involving more than 100 trucks and some \$650,000—still awaits a nod from ICC.

Alaska timber in Tongass national forest (BW—Sep. 6 '47, p.18) has attracted a second company. Alaska Industrial Corp. has plans for a 150-ton-a-day rayon mill at Sitka. The year-old company is backed by Alaskan and Belgian interests. New York and northwest pulp-and-paper men. Meanwhile, the Ketchikan Co. expects its 300-ton-a-day mill to be in production by early 1951.

Simplified shorthand is the aim of Gregg Publishing Co., McGraw-Hill subsidiary, in modifying its 50-year-old writing system (BW—Dec. 4 '48, p.25). To make it easier for beginners, Gregg is doing away with many symbols for special contractions, suffixes, etc.

Western Union has nearly finished installing \$70-million worth of high-speed switching centers (BW—Jan. 12 '48, p.96). The eleventh—Detroit—has just come in. With four more to go, Los Angeles is next in line.

Ellwood City (Pa.) Industrial Corp. (BW—Jan. 4 '47, p.21) has found a new tenant for the plant it bought from United Tube Corp. Borg-Warner's Ingersoll Steel Division will soon turn out furnaces there.



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you're using a \$26 billion investment—*

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the rails of a dozen different roads in the course of a single journey.

Each year sees new developments designed to improve transportation service: new equipment, increased efficiency, better schedules. Through a continuing research program, Westinghouse Air Brakes are kept continuously in step with transportation needs. When you or your products travel by rail, the journey is smoother, and safer through modern Westinghouse Air Brakes.

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motion. Moore offers *the right business form for every form of business!*

Get airtight controls in *your* business—and cut overhead, too! Just call your local Moore office, in over 200 cities from coast to coast. Or write any Moore factory at: Niagara Falls and Elmira, N. Y.; St. Paul, Minn.; Denton, Tex.; Los Angeles and Emeryville, Calif.; Salem, Ore. Also sales offices and factories across Canada.

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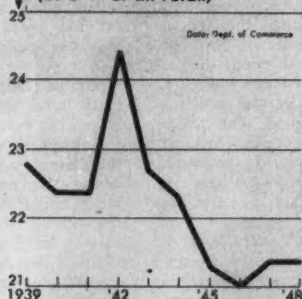
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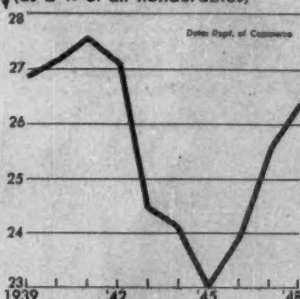
# MARKETING

**Chains' Sales**  
(as a % of all retail)



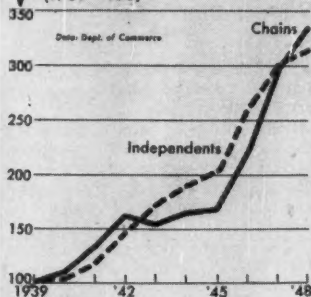
Chain stores haven't regained their prewar slice of retail sales, but...

**Chains' Soft Goods Sales**  
(as a % of all nondurables)



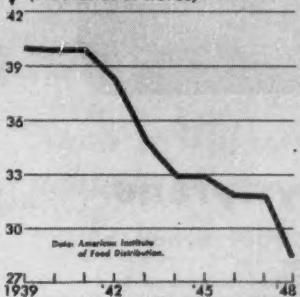
Soft goods sales—the chains' specialty—are almost back. In particular...

**Grocery Sales**  
(1939=100)



Grocery chains led the pack last year, getting a larger share than in 1939, while...

**Chain Grocery Outlets**  
(thousands of stores)



The number of chain outlets declined, indicating much greater sales per store

## Grocery Chains Climb Back

Their percentage of total food sales is on the way up again—due, in part, to the rapid growth of local and regional setups. Other chains—notably drugs and restaurants—have tougher time.

For U.S. grocery chains, 1948 was a bang-up year. They showed a staggering \$9.5-billion worth of food across their counters. And for the first time since the end of World War II, they got a bigger percentage slice of total food sales than they did in 1939. But they have yet to equal the record they set in 1933 (+4.1%).

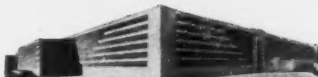
The Census Bureau defines a chain as four or more stores centrally owned and managed. This definition in itself provides a key to the chain grocers' boom—the rapid growth of the small re-

gional setups (BW-Jul.17'48,p64) has much to do with the food chains' sales growth.

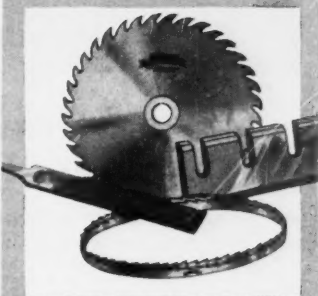
• **Less Bounce**—Most other types of chain stores have not shown this much bounce in making up their wartime loss of position. True, they started along the comeback trail right after the war's end (BW-Jan.25'47,p55). But they never got up enough steam to make their recovery complete.

So, if you look at the chain's postwar sales records statistically—as a percentage of total retail sales—the results don't

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Lord Cromwell watch band in azure blue case of Koppers Polystyrene. Case molded by Progressive Plastics Manufacturing Company, Brooklyn, N. Y.

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• This azure blue box of Koppers Polystyrene is a perfect partner for the Cromwell watch band. The blue sets off the gold and other precious metals of the bands. The tight fit of the box protects the contents from dust and tarnish. The box itself prevents customers from handling the bands and leaving unsightly finger prints.

Dealers, everywhere, are enthusiastic about display boxes of Koppers Polystyrene. It comes with the crystal clarity of fine glass or in any desired color to enhance the beauty of the product.

With careful design the boxes can be made tight and dust-proof. Transparent covers permit full view of the product and discourage handling. Correct interior design holds the product at the right angle.

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seem impressive. But that view doesn't give too fair a picture. In general, the chains are an important factor only in the nondurable merchandise lines. And a big chunk of the sales gains posted by independent retailers has been in durable goods—autos, farm equipment, and such. Thus, in the over-all retail picture, the independents' big postwar sales of hard goods hide the chains' soft-goods increases.

• **Fairer Picture**—Comparing the chains' sales of nondurables with total soft-goods sales gives a much more accurate—and brighter—hue to the chains' showing. In nondurables, the chains' postwar sales have spurred ahead at a faster rate than the sales of independents.

Sales by both independents and chains have, of course, increased tremendously since the end of the war. But that fact gives the chain merchandisers small comfort; they still want to regain—or surpass—the share of retail sales they held before the war.

Such are some conclusions apparent from a study of postwar sales patterns in the latest issue of Survey of Current Business. The study was made by the Commerce Dept.'s chain-store experts, Clement Winston and Reba L. Osborne.

• **The Causes**—Price controls and a limited supply of goods were largely responsible for the relatively poorer showing made by most chains during the war. Price competition, the chains' biggest weapon, became secondary: Consumers were ready to pay almost any price to get the scarce goods they wanted.

These scarce items tended to find their way into outlets which sold at higher prices than the chains. And the black market—which the big chains didn't dare enter—absorbed a lot of the best merchandise.

• **Improvement**—But when price controls died, the chains showed an immediate improvement. Yet only the grocery chains (which account for more than one-third of all chain sales) and women's wear chains (about 5%) have won back the share of the market they held in 1939.

In the apparel line, men's wear and shoe chains are coming back pretty well. Shoe chains, for example, did only about 47% of the nation's shoe business in 1945; by the last half of 1948, the figure was 52%. But it's still short of the 56% the shoe chains reached just before the war.

• **Best Record**—Women's wear chains did the best of any in the apparel group. Even in the early war years they kept right on chalking up gains over the independents. And when the dip did come (in 1945) it didn't last long. Reason: Independents hit the small chains hardest in fields where merchandise was scarce during the war. And women's





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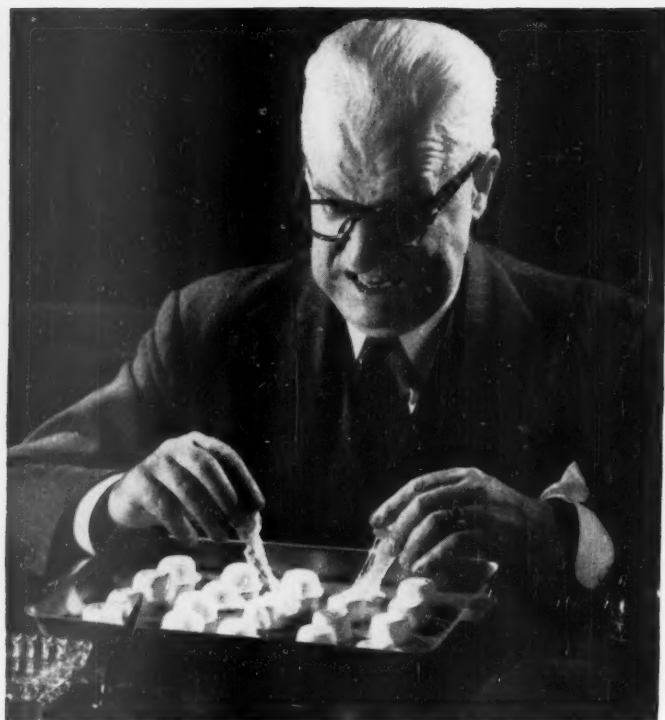
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wear supplies were always comparatively good.

This meant that women's wear chains didn't have much of a slump to climb out of. They ended 1948 with some 33% of women's garment sales—about the same as the best war years and higher than the prewar level.

• **Less Lucky**—Among the chains which have been less fortunate in making up their wartime losses are the drug stores and restaurants. One of the reasons for the drug chains' trouble is the rise in number of independent drug stores since the end of the war. Since drug sales are thus spread over a greater number of outlets, the chains' slice of the total business is smaller.

Even so, sales per store for the drug chains increased more than 25% between 1945 and 1948. During the same period, independent druggists brought sales per store up only about 9%.

• **On the Bottom**—Restaurant chains are at the bottom of the list. They make up the only group that has had a consistently declining percentage of the total business in its field since 1939. Their current share of their market (5%) is little more than half what it was in 1939.

The same basic reason applies here as applies in drugs: Since the end of the war, the rise in the number of independent eating and drinking places has been greater than in any other line of trade. At the same time, the number of chain restaurants has increased only slightly.

• **Department Stores**—The case of department-store and general-merchandise chains is not quite so clear cut. Definitions of what is a department store are somewhat vague and variable. Nevertheless, Commerce estimates that the chains did some 36% of the total department- and general-merchandise store business in 1941. By 1945, the percentage had fallen to 29%; now it again stands where it was in 1941.

Incidentally, the six biggest department-store chains got 88% of the sales of all department-store chains in 1947. In other fields, the concentration is not so high.

• **More Stability**—Traditionally, chain stores are less sensitive to general business ups and downs than the independent stores. When times are good, chain sales go up—but usually not so much as those of the independent stores, which generally offer more in the way of extra service. In bad times, the chains suffer less than the independents because consumers suddenly become price conscious. And, of course, price competition is the chains' ace-in-the-hole.

There's another factor, too, that helps to keep the chains stable: They handle few durable goods—and it's durables that are most sensitive to changes in the business level.

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That's just about the kind of agreement that Bell & Howell Co. signed this week with Burroughs Adding Machine Co. The product, in this case, is Bell & Howell's new microfilm recording apparatus.

• **Mutual Benefit**—The contract gives to each company something it has been looking for. Bell & Howell, a photographic equipment manufacturer, has designed a machine for recording docu-

ments on microfilm. The machine photographs both sides of a document at once, records up to 22,000 canceled checks on 100 feet of film. Bell & Howell knows that there's a good market for such machines among business concerns.

B. & H. does have a distribution organization for its regular line of photographic products. But it has little experience in distributing and servicing business machines.

Burroughs, on the other hand, has built up an organization for getting its accounting machines and calculators to market. One of the company's big jobs has been to develop mechanized accounting systems. In this work, Burroughs needed a machine to photograph records for easy storage.

• **Terms**—So the two companies signed a 20-year contract. Under its terms, Burroughs will take the entire output of Bell & Howell's microfilm recording equipment, distribute and service it.

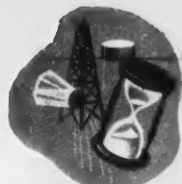
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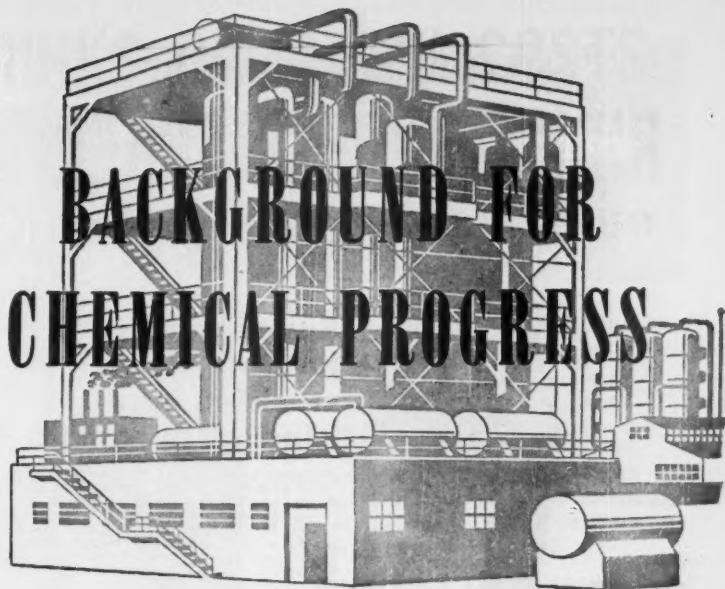
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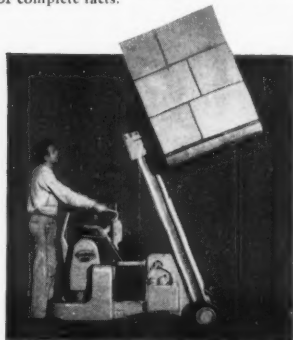
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A PRODUCT OF AUTOMATIC

*Lifts  
LIVES LOADS*



PIPE INVENTOR Frederick Kirsten is . . .

## Kirsten Owner

Man who sold his pipe invention 10 years ago buys it back as market falls. Plans to save on advertising.

Manufacturers of high-priced quality smoking pipes for many months have been aware of a bitter fact: The market for topgrade pipes is shot. The reasons: (1) Large stocks of war-surplus pipes have raised the market to flood stage; (2) overproduction of cheaper grades has lifted the flood over the dikes; (3) high living costs have cut purchases of luxury items.

• **Full Circle**—George Gunn, Jr., president of the Kirsten Pipe Co., Seattle, Wash., has apparently tired of smoking this black blend of gloomy outlooks. So, for an undisclosed price, he has sold out to Prof. Frederick Kirsten, inventor of the firm's Kirsten mechanical pipe. (Bowl) is of imported briar, the stem aluminum alloy. Residues condense in stem as smoke cools, are trapped in a special valve.)

The Kirsten Pipe Co. in 10 years grew to dominate the top 10% of the pipe market. At its peak, it enjoyed distribution throughout the U.S. and in 52 foreign countries. Now it is back in the hands of the man who began it all. • **Origin**—Prof. Kirsten is an aeronautical engineer at the University of Washington and the designer of the revolutionary Kirsten cycloidal ship propeller (BW—Apr. 20 '46, p. 32). About 12 years ago he turned out experimental models of his pipe in his home workshop, later started production on a small scale.

A few months later Gunn and a

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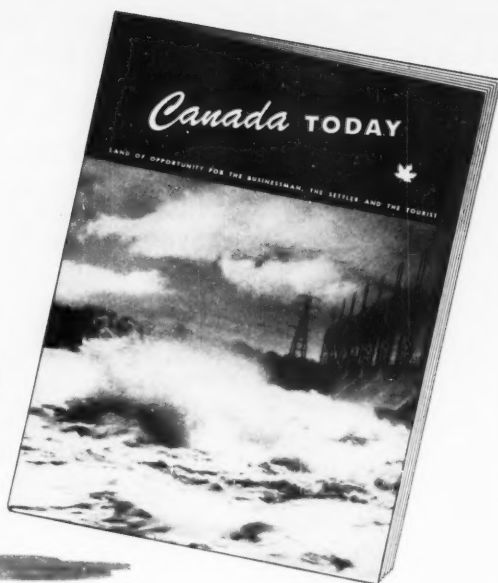
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**Over 500 Branches Across Canada**

group of Seattle businessmen formed the Kirsten Pipe Co., took over production and marketing. Prof. Kirsten got royalties but had no other connection with the enterprise. Kirsten hints that his royalties in 10 years will more than cover the price he paid Gunn for the company.

• **Boom**—Under Gunn's regime the Kirsten pipe retailed at prices ranging from \$6 to \$12.50. The firm set up its own system of distribution. It bypassed wholesalers, worked directly with dealers, and kept a sales force in the field. It soon boasted 4,500 retail outlets throughout the country. It used direct mail to contact the trade, national advertising to reach the consumer.

Except during the war years, business grew fast. In 1945 consumer demand for the Kirsten pipe led the firm to move into larger quarters. A staff of 200 people went to work on a three-shift basis. By 1946 annual sales had reached 300,000 units.

• **Collapse**—Then, early last year, the bubble burst. Slowly the quality pipe market in general settled into inactivity. Wholesalers and retailers found themselves with inventories that were high and out of balance. Pipes meant to sell for \$8.50 to \$10 were dumped in heavy quantities at \$1.50 retail. Some manufacturers produced pipes for the bargain market, designed to carry a \$7.50 price tag but to sell at about \$1.50.

Last September, in an effort to stop the handwriting on the wall, the Kirsten Co. struck back with a bold merchandising campaign. It amended its fair-trade agreements, for one month only, to cut retail prices 40%. That brought the \$6 pipe down to \$3.60. To protect its dealers, the company allowed them to buy new stock for the sale at their regular 40% discount, thus giving them full markup at the September sale price. If dealers preferred, they could unload backed-up inventory.

• **Futile Campaign**—Consumers got word of the sale through national magazine advertising. Brochures air-mailed direct from the factory gave retailers a shot in the arm. The sale was the company's first, the price its lowest. Result: 40,000 pipes were moved during the month.

In October, Gunn opened the second phase of the campaign to build new markets and fight the slump. He brought out a new Kirsten "Thrifty" pipe to retail at \$5.50. At first it looked like a hot item, but total sales fell far short of plant capacity.

Not yet ready to let the dying embers burn out, Gunn added gift items to the line—cigarette holders and corn holders (gadgets which simplify the job of eating corn on the cob). This failed. As a last resort the company entered a field far removed from pipes—it produced and sold a photoelectric pilot and an elec-

# "You *THINK* you know what Roebling makes..."

you stand there talking about Roebling wire cloth and screening. Well I tell you Roebling makes *electrical wire and cable*. I've bought them since before you were born!"

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Of course both engineers are right. At its four big plants in and near Trenton, New Jersey, Roebling makes an extremely wide variety of wire and wire products . . . develops new types and achieves quality standards of highest efficiency and service economy to industry.



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**WIRE.** Every inch of Roebling high carbon wire is just like every other inch in gauge and temper, grain structure and finish. That means fewer rejects, fewer stoppages . . . production speed and lowered costs . . . It's available *now!*

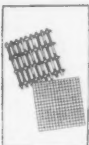


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tric reverse-gear control for small boats. This, too, failed to stave off impending doom.

• **Plans**—Now white-haired, wiry Prof. Kirsten, 63, has taken over the presidency and announced a few immediate plans of his own. He plans to build his own factory at Yelm, Wash. (pop. 445), 70 miles south of Seattle. Here, he says, he can hire rural labor. He hopes that this atmosphere will lead to closer personal relationships between management and plant staff. Kirsten indicates that he will limit advertising pretty much to the pipe gift seasons such as Christmas and Father's Day.

Through research, Kirsten hopes to rebuild the Kirsten Pipe Co. He has two new models in the works—the Cavalier, a hang pipe, and a midget pipe for smokers who will settle for a few puffs. He is also working on the design for a woman's pipe.

## MARKETING BRIEFS

**Baking capacity** hasn't increased since before the war, though population and incomes have. So the Dept. of Agriculture foresees a sellers' market in bread for some time to come.

• **Free car-wash** is the raincheck offered by Brooklyn's Speed-O-Mat Laundry. You're entitled to it if it rains before midnight on the day you have your car washed. But not if it snows.

• **Home furnishings** sold last year poured a record \$9.9-billion into retail tills. Fairchild Publications says this is 8% better than the 1947 total.

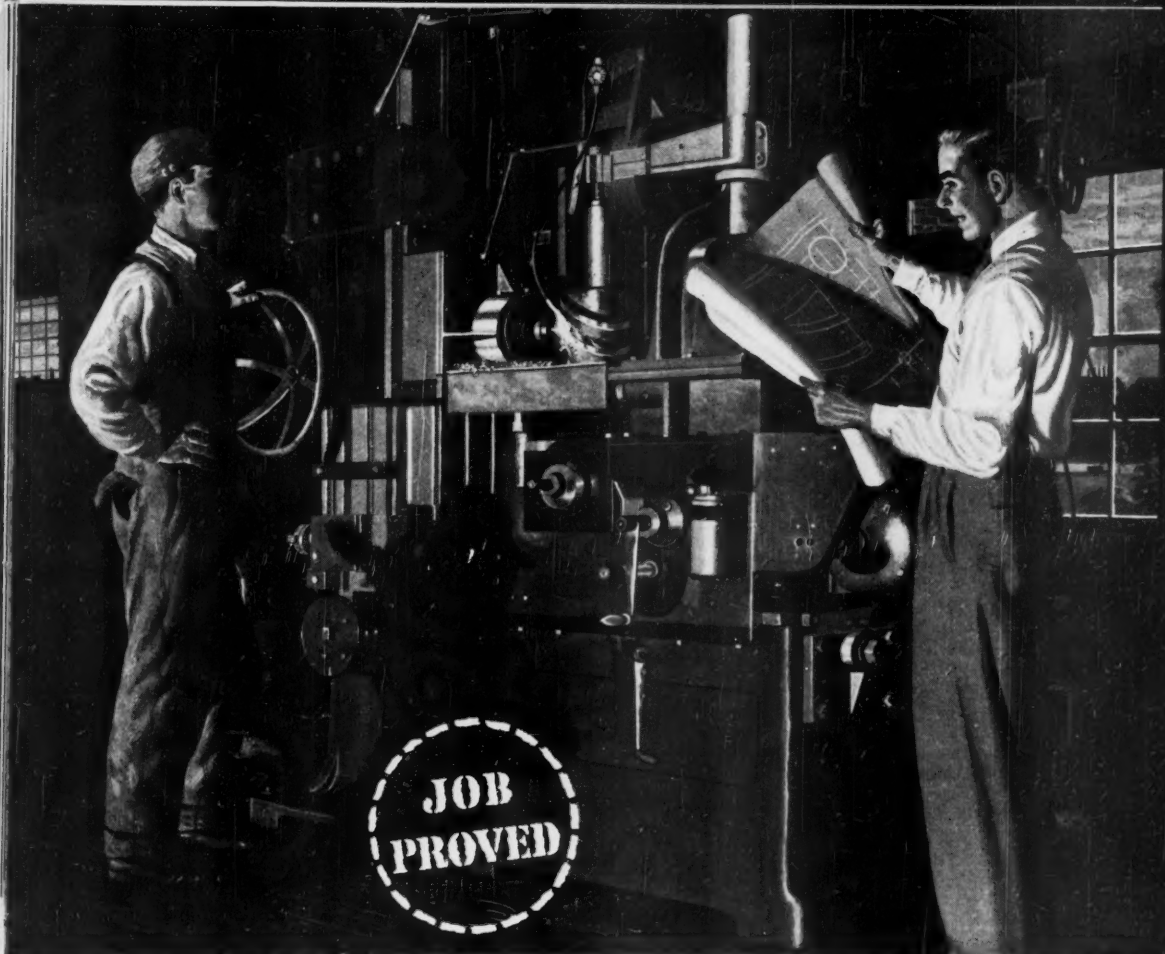
• **Three-year franchises** are being offered by Packard to stabilize its dealer-factory relationships. The industry usually gives one-year franchises. But Packard will give its special Gold Seal contracts to dealers who meet set standards for sales performance, service, etc.

• **Store modernization** accounts for 89% of the work on architects' boards, says Progressive Architecture after a survey of 50 large cities.

• **Esquire, Inc.**, has gone into the 16-mm. film business by buying a controlling interest in Ideal Pictures Corp. The publishing house hopes to double Ideal's production during 1949.

• **Gasoline wasted** by the nation's 14-million "Ghost Cars" (over-age) runs to something like 8-billion gal. a year. That's the estimate of car-builder Powel Crosley, Jr.





## CUTTER LIFE DOUBLED

### Sunoco Emulsifying Cutting Oil Solves a Many-Sided Problem for a Machine Shop — Serves Well for Both Cutting and Grinding

Milling alloy-steel barrel cams was giving a machine shop many difficulties. Cutter life was short. Finishes were poor, and marred by brown stains. The oil emulsion had to be replaced frequently because of bad odor. Grinding wheels loaded up, with the result that a grinding paste had to be used in place of the emulsifying oil.

Four years ago, on the advice of one of our engineers, the plant

switched to Sunoco Emulsifying Cutting Oil. Cutter life has been doubled. The finishes are good and free of stains. The cutting fluid stays clean and pleasant in odor. In the grinding operation, it has eliminated the need for a paste—does double duty.

Many examples could be given of how "Job Proved" Sun products are speeding operations, raising quality, increasing profits. A steel

mill burning out \$18,000 worth of bearings a year, found the solution in a Sun high-melting-point grease. A municipal power plant, by switching to a Sun lubricant, avoided all unscheduled shutdowns of its diesels. A rubber manufacturer saved some \$1,500 a month through using a Sun processing aid.

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## **New Power for America**

Lights will not go out in America, nor will productive machines stand idle for lack of power, if the nation's electric utilities can help it. And they began to plan this help a decade ago through an expansion program — interrupted by the war — that is now well on the way to being realized.

In 1947 privately owned utilities expended over 60 per cent more for new steam power capacity than in the previous all-time peak year (1924). 1948 expenditures were nearly double 1947 and 1949 will substantially exceed 1948.

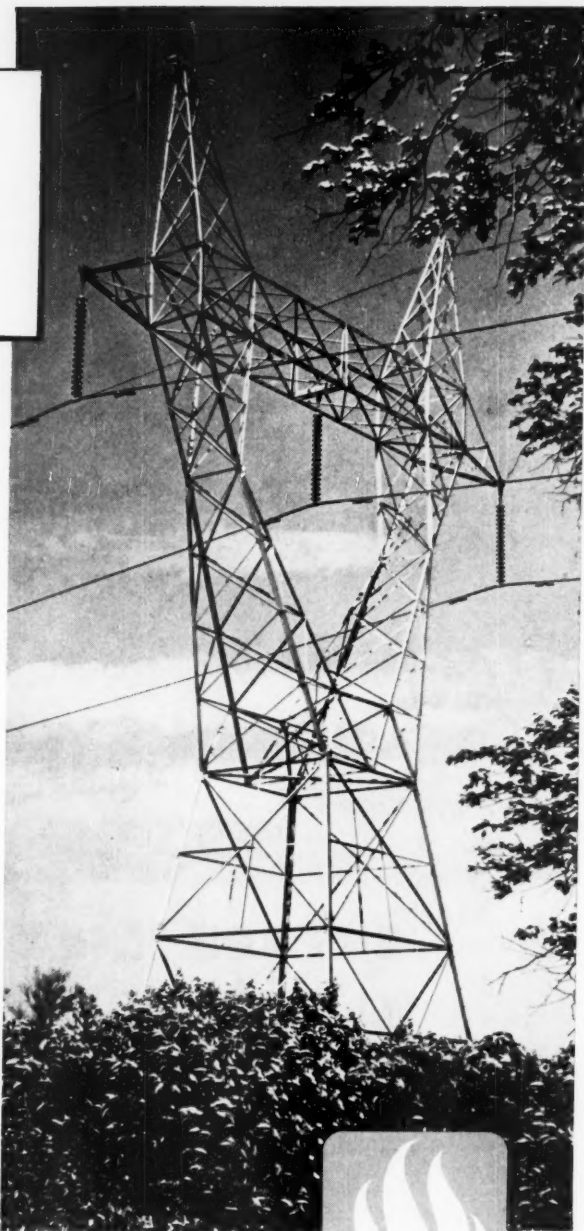
In the four-year period, 1946 through 1949, the total capital expenditures by private utilities for expansion of electric service to the homes and industries of America will have exceeded 6½ billion dollars.

It is equally significant that, in a time of skyrocketing costs, the electric utilities have represented the last stand of the 100-cent dollar, maintaining the price of their product at a level long since passed in all other fields.

So there should be little wonder, and no resentment, that current conditions compel a needed — and tardy — increase in public utility rates. Even with this essential relief, purchased light and power will continue to be *America's best buy*.

This unique situation is due in large measure to technological improvements during the last quarter century — improvements to which Combustion Engineering made such important contributions as the pioneering of pulverized coal firing, water-cooled furnaces, and new and better designs of steam generating equipment and methods of firing. This experience in developing ever more economical steam generating equipment for utility power stations is reflected in the extensive C-E line available for *all* users of steam.

B-284



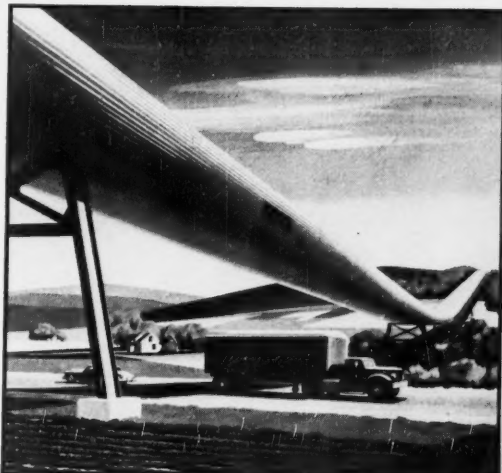
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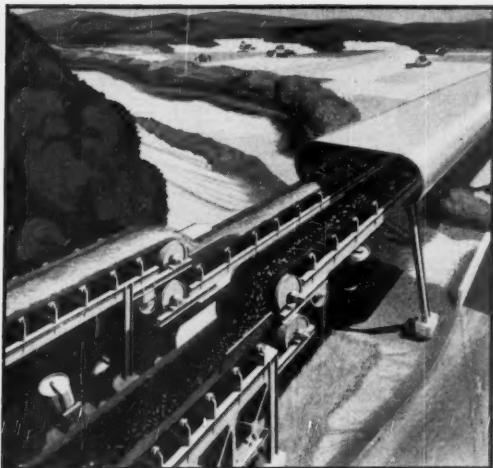


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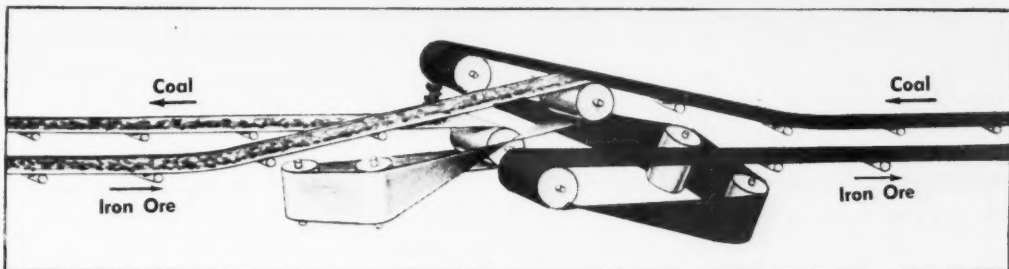
# PRODUCTION



**AIRLINE CONVEYOR:** 22 ft. in the air, a two-way belt line is proposed to tie Lake Erie to the Ohio River 100 miles away



**MATERIAL RELAY:** Cargo going both ways would move from belt to belt on a setup like this. Sketch below shows . . .



**HOW DOUBLE-DUTY BELT WORKS:** A series of pulleys allows use of belt going and coming. In actual use, pulleys will be arranged slightly differently than shown. They will tip the belt over so that one side of belt is up when coal rides, the other for iron ore

## 130-Mile Belt May Replace Railroad

Small railroad, and belting and equipment makers, push plans to link Lake Erie with Ohio River. Object: lower freight costs.

A plan for a new kind of long-distance transportation was unveiled this week in Cleveland. It is based on an idea as radical as DeWitt Clinton's Erie Canal proposal over 100 years ago.

• **Common Carrier**—The plan is simply this: Use a belt conveyor as a common carrier—like a railroad or trucking system—to carry cargo in two directions. The company figuring to do just that is the Akron, Canton & Youngstown Railroad Co. It proposes a belt conveyor system stretching a total of 130 miles, including two spurs. It would handle up to 52-million tons of bulk material a year—20 million tons of coal going north, 32-million tons of iron ore traveling south.

To the belt-conveyor industry—and to most everybody else—A.C.&Y.'s idea is breath-taking. The longest belt conveyor built so far ran for 10 miles; it was a special job used in the construction of Shasta Dam. A.C.&Y.'s conveyor would be 15 times as long, take three years to build. And it would cost \$210-million—nearly three times the total business done by the entire heavy-conveyor industry in 1948.

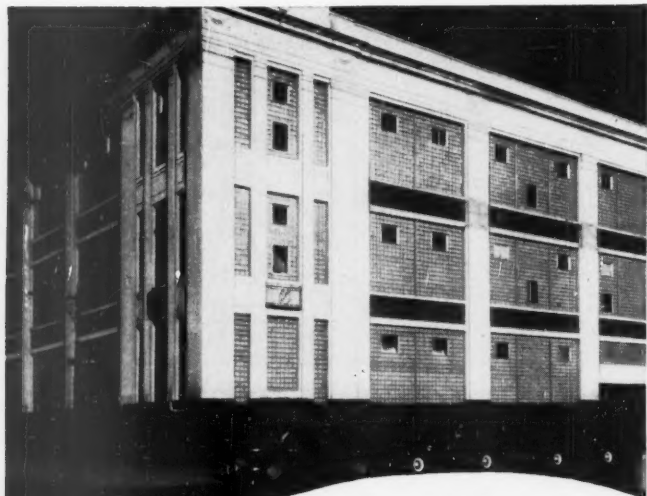
• **No Fear**—None of these overwhelming material and economic factors has scared off the belt railroad's promoters. In fact, it is the economic angle that gives them their greatest enthusiasm—and which might upset the railroads which plan to go on using rails. For

one thing, engineers figure that the cost of constructing the conveyor is a lot less than the cost of an equivalent railroad with its rolling stock. But the savings in operations are even greater. At a minimum handling of 15-million tons of coal and 15-million tons of iron ore, the system can save industry \$20-million a year. If maximum tonnage is handled, that saving can soar to \$45-million.

It is those figures which have brought a distinct change in attitude of such potential customers as steel and coal companies. At first, the idea of a king-sized belt rolling 20 hours a day over 300 days a year seemed like Buck Rogers stuff. But after hearing what it would mean in cost savings, they became solid backers of the proposal.

• **Two Year's Work**—The belt is no overnight, sketch-pad idea. Nor is it

# How to cut heating costs in your buildings



When PC Glass Blocks are installed in lighting areas, the sealed-in dead-air space in these *hollow* blocks acts as an effective heat retardant. In fact, PC Glass Blocks have twice the insulating value of ordinary single-glazed windows; they're comparable to the best of double-glazed.

This means that heating costs can be materially cut in winter; that air-conditioning costs are reduced in summer.

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just a bright hope of the bulk-conveyor engineers. Behind the proposal lie more than two years of solid thinking.

Back in 1946, H. B. Stewart, Jr., president of the A.C.&Y., planted the first germ of the idea. He looked around to see whether it would be feasible to extend his railroad to Youngstown. (The railroad is named after three cities, reaches only one—Akron.) He found out that the move would make no sense unless something were done to prop up Youngstown's sagging steel industry. That could be done only by cutting costs of both coal and ore transportation to that city. And they couldn't be cut by railroad.

• **New Firm**—Youngstown needed some way to get lots of material in at a steady rate and low prices the year around. Conveyors, Stewart and his engineers reasoned, do just that kind of job for big dams, coal mines, wood-pulp mills. They asked themselves: Why not try the idea on a massive scale? They answered by incorporating a new \$10-million firm—Riverlake Belt Conveyors—to build an overland route of rubber between Lake Erie and the Ohio River.

## I. The Project

A.C.&Y. engineers and rate specialists, experts like Ed Stephens (picture, page 52) and other officials of Goodyear Tire & Rubber Co. and engineers of Link-Belt Co., started battling the idea around over a year ago. The more they worked on it, the more enthused they got—despite the obstacles. Last year, they decided to attempt the project. They kept it a top-secret in the industry—not even the directors of A.C.&Y. learned of it until last month.

• **Savings**—But Stewart carried the idea to a few well-chosen—and presumably



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well-heeled—major users of ore and coal. Their approval led to the formation of the new firm. One steel official put it this way "If you can save us 10¢ a ton we're interested; if you start talking about 50¢ to \$1 a ton saved on transportation, we'll start hounding you."

Here are the figures that got the coal and steel boys hounding Stewart: The line's rate for coal would beat railroad rates by \$1.06 to \$1.50 a ton; for ore, the line can knock off 43¢ to 68¢ per ton. Thus the potential savings to mills upstream on the Ohio would be \$9-million a year on ore alone. Youngstown mills could save over \$9-million a year on coal and ore. With steelmakers and coal producers trying to cut every cost corner, the project looks like a natural.

## II. The Problems

Up to now, bulk-conveyors have run principally over company property, or have operated temporarily over public or private holdings. But running such a line smack across a state brings up a problem new to conveyors—the "right of eminent domain." The builders will have to cross railroads, buy up or condemn private property. The eminent domain principle might prove to be a tough stumbling block to the proposal.

• **Opposition**—And presumably the railroads in the region—excepting A.C.&Y.—won't be at all enthusiastic. They

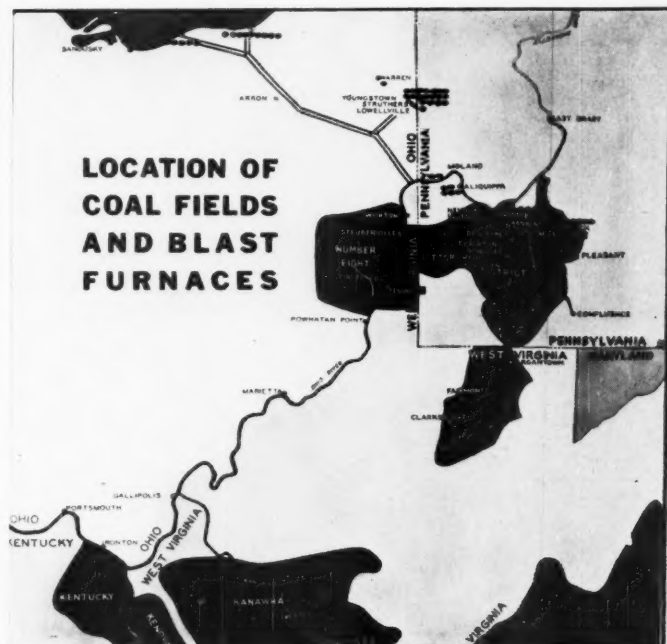
will probably fight the bill about to be introduced into the Ohio State legislature tooth and nail. The reason, of course, is that a low-rate conveyor would be a tough competitor to a railroad, truck line, or canal (BW—Mar. 4 '39, p. 30).

But the expected opposition doesn't faze Stewart. He says that his system will create business for the railroads, offsetting initial losses from coal and ore tonnage. It will help stabilize the steel industry in the region. That means that plants will stay put instead of being forced to move because of prohibitive freight rates. Having ore and coal coming in in steady quantities at low rates should bring new industries to the region. For the line would make every plant served by it practically a "waterfront" proposition so far as bulk raw materials are concerned.

Financing doesn't worry the promoters too much. Stewart figures on getting private capital based on steel, coal, and power-plant contracts. No new stock or public offering is planned. Rates are based on amortizing the entire cost of the system in 20 years.

• **Power Problem**—If the legislative and financing problems are solved, another headache will crop up: power to run the lines. Just moving the system's belts empty would take 55,000 kw.; fully loaded belts would burn up 250,000 kw. On a 300-day year, annual power load would be about 925-million

## LOCATION OF COAL FIELDS AND BLAST FURNACES



CONVEYOR TIE-IN: How the project ties major coal fields to western markets and steel industries to their ore supply (with the help of the Great Lakes and the Ohio River)

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## GOLF CLUBS

### "Merchandised"

#### in H & D Shipping Boxes

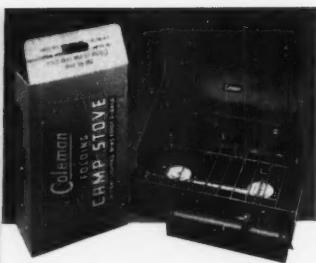
"We now pack three sets of clubs in the time formerly required for one," says a prominent golf club manufacturer. "This box not only makes an outstanding display, it also helps boost sales," says the golf professional who handles the merchandise. Compact, sturdy, easily assembled, attractively designed, this H & D box is engineered to save money for the manufacturer, to make money for his dealers. It scores high on both counts.

*Add Sales Punch  
WITH GOOD PACKAGING!*

## THIS SHELF PACKAGE Simplifies the Retailer's Job

The "Eskimo" kitchen mechanic, a modern idea in electrical appliances, takes full advantage of Prepak\*—a new idea in packaging. No packing or wrapping at point-of-sale is required. Attractively printed on sand color linen background, the "Eskimo" package invites "take with" purchases, another saving for the dealer. In the home, the box provides safe storage and protection for the life of the mixer.

\*REG. U. S. PAT. OFF.



## DUAL-PURPOSE BOX Increases Product Utility

One might think of a camp stove as an unwieldy piece of equipment—but not this one. It folds up neatly and compactly in a sturdy H & D box, designed especially to withstand the rigors of camp life. Box and stove take up little space in the camper's car; snug fit prevents rattle; convenient handle makes it easy to carry. This H & D packaging idea — of increasing the value of a product by making it easier to use — is virtually without limit in application possibilities.

REG. U. S. PAT. OFF.

# H&D

# BOXES

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## ORE RATE COMPARISONS

Lake Erie (Lorain) to Youngstown

32,000,000 tons  
annually

Railroad Line Haul\* \$1.27

Conveyor line .67

**SAVINGS PER TON \$ .60**

Lorain to Ohio River Mills, Upstream

Midland

Railroad Line Haul\* \$1.48

Conveyor line †.80 — ‡.67

Barge Haul .15 — .15 .95 — .82

**SAVINGS PER TON †\$ .53 ‡.66**

\* Does not include delivery charge at destination

† Based on 15,000,000 ton rates

‡ Based on 32,000,000 ton rates

## COAL RATE COMPARISONS

(20,000,000 Tons Annually)

Ex-River Coal, Per Ton, To Cleveland-  
From Ohio River Terminals Akron-Lorain

Railroad Rates\* \$2.29

Conveyor line .79

**SAVINGS PER TON \$1.50**

\* Railroad Rates Include 6 Per Cent Increase  
Granted by I.C.C., January 1949.

**COST COMPARISON:** Rate savings from maximum tonnages flowing on belt

kwh. (The entire annual power consumption of Akron's domestic and industrial users is about 850-million kwh.)

Adjoining power plants have no surplus power to speak of. That means the promoters have to figure on building one; maybe two plants for the line. Power studies are now under way.

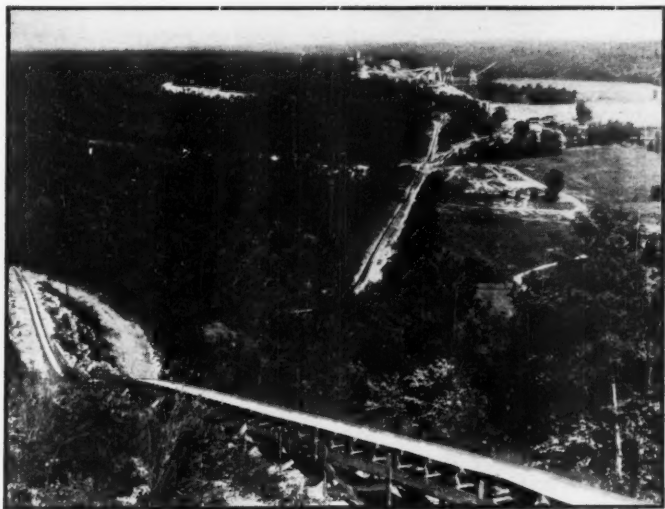
• **Materials**—The bill-of-materials for the line also is staggering. It includes 151,000 tons of steel, 30,000 tons (267 miles) of rubber belting, 353,000 supporting idlers, 15-million lb. of cotton (if cotton is used for making belt's reinforcement) or 6-million lb. of steel cable combined with 6-million lb. of cotton. One supplier figures that his plant would have to run full blast for two years to make his share of the mechanical components. And it will take 32-million man hours to build the line.

Of the \$210-million figured for the project, \$54-million is earmarked for terminals and coal-washing plants. Belting will take \$38-million. That's more than the belting industry produced last year, but Goodyear expects to handle that job itself.

But the promoters don't think the



**EARLY CONVEYOR:** A 1929 long-haul job involved moving a mountain of earth through the streets of Seattle to be dumped in the bay



**LONGEST LINE NOW RUNNING:** At the Bull Shoals Dam in Arkansas, a seven-mile belt is hauling sand and gravel from pit to dam. It will handle 4-million tons

project will really overload the various industries. Reason: They figure it may take five years to get the right of eminent domain, and no construction will be started until the legal obstacles are cleared. So the companies involved have a breathing spell in which they can get ready to supply the necessary materials. At the same time, they must keep their present customers happy.

### III. The Details

A.C.&Y., Goodyear Tire & Rubber, and Link-Belt Co. engineers are now at an advanced stage of planning. Construction, transportation, and electrical experts have been on the job for months. Here are the details they plan:

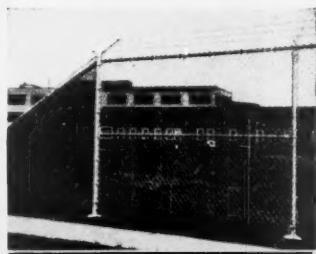
• **Snake**—The conveyor, housed in a corrugated, galvanized-steel structure,

will wind like a huge snake 22 ft. above the ground through the Ohio countryside. North and south belts will run parallel to each other inside the "snake," with a catwalk between, fully inclosed and protected from the weather. The conveyor—actually a series of 172 belts, or "flights"—will work both ways. At the end of each flight, an ingenious arrangement of pulleys (diagram, page 45) will permit the conveyor to be reversed. (Most such belts work only in one direction.)

Moving at the rate of 600 ft. per minute (about 6.8 miles per hr.) the northbound belt will carry 3,400 tons of coal per hr. The southbound belt will carry 5,400 tons of heavier ore per hour at the same speed. The belt will be pushbutton controlled (picture, page 46). Electric-eye watchmen will spot

## FOR MAXIMUM PROTECTION PITTSBURGH CHAIN LINK FENCE

Your property, your equipment, are protected against thieves, meddlers, and the curious when Pittsburgh Chain Link Fence is on the job. Also the coming and going of your own employees is regulated which in itself can save you money both in time and material. We have been planning and erecting good fence for many years—our experts will be glad to give you advice and a cost estimate. Write to Pittsburgh Steel Co., 3249 Grant Building, Pittsburgh 30, Pa.



**PITTSBURGH STEEL COMPANY**

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**THE MUTUAL BENEFIT  
LIFE INSURANCE COMPANY**

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# CONNECTICUT

Put your business in a "State of Success"

any trouble, subsequently stop the belt.

- **Steep Climber**—Some of the 172 flights on the main line will be over a mile long. More flights are required over hilly country because belt angles are generally held under 20 deg. Average length of the flights will be around 2,000 ft. each from the Ohio River to Salem.

A 72-in.-wide belt will be used on the first leg to Youngstown (to carry enough for that spur). The rest of the trip to Lorain—81.75 miles—will be made on a 60-in.-wide belt over 114 flights averaging 3,800 ft. each.

Pneumatic tires will support the belt under transfer points, will absorb load shock, cut down belt wear and coal breakage.

- **Stockpiling**—One big advantage which its backers claim for the system is that it permits easy storage stockpiling of bulk materials. Coal and ore will be stockpiled at various points for customer and system convenience. With the lakes frozen in the winter, and ore shipments suspended, the conveyor would pick up ore from storage and haul it south. Coal not needed for customers would be stockpiled for the lake boats to haul off in spring.

#### IV. The Bulk-Conveying Industry

A.C.&Y.'s project sounds fantastic, but it is based on an industry that for more than 25 years has been making sound and steady engineering progress.

- **Divisions**—Fundamentally, a bulk-conveyor consists of a belt, electrically driven, riding on "idlers"—three-piece rollers that cause the belt to "tough"—all supported on a suitable structure.

So the industry divides into: (1)



E. W. STEPHENS, Goodyear's top belting engineer, helped plan proposed conveyor



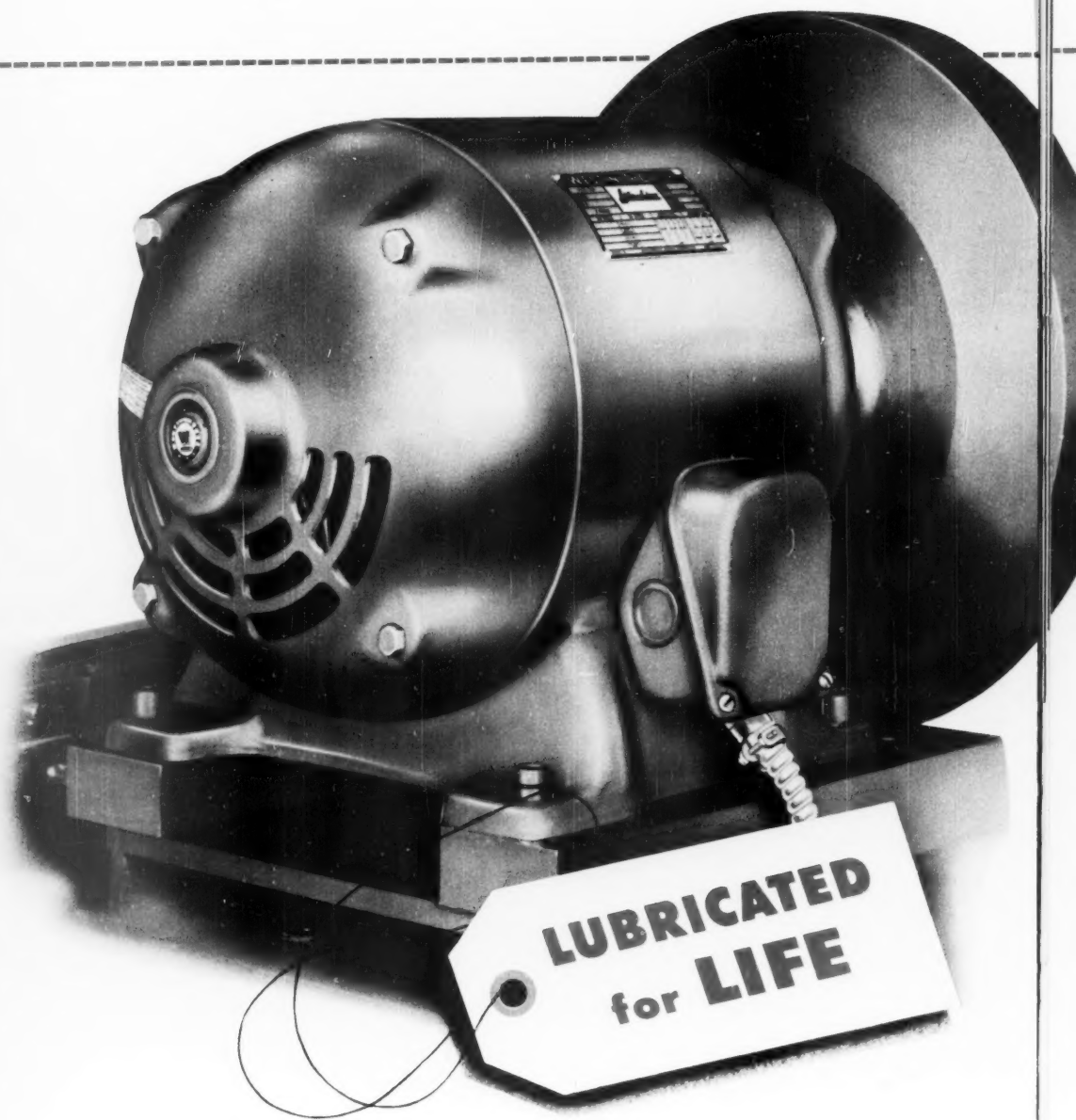
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**NOW...  
LUBRICATED  
for LIFE**



YOU CAN BE **SURE**.. IF IT'S  
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# do away with lubrication costs

## *FOREVER*

Forget old-time ideas about the care and greasing needed to keep motors running!

Life-Line motors now eliminate the time and cost required for lubrication—for life! Life-Line double-width ball bearings are pre-lubricated with a more-than-ample supply of specially-treated lubricant—and factory-sealed to keep dirt out and grease in, for *the life of the bearing*.

Periodic weekly or monthly greasing schedules can be dispensed with. Motors may be installed in inaccessible locations; machines no longer need be disassembled to reach motors for greasing. Winding failures

caused by overlubrication, and failures caused by use of improper lubricants, can be prevented.

Multiply these advantages by the number of motors in *your* plant. You'll find they offer new and important savings—in labor costs, in machine down-time, in motor outage costs. Then get in touch with your nearest Westinghouse office today. Most standard Life-Line motors are now available from stock. Others are available on short delivery schedules. Ask for details on your requirements. Westinghouse Electric Corporation, P. O. Box 868, Pittsburgh 30, Pennsylvania.



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**Tough lubrication job?**

**NOT WITH  
MOTORS**

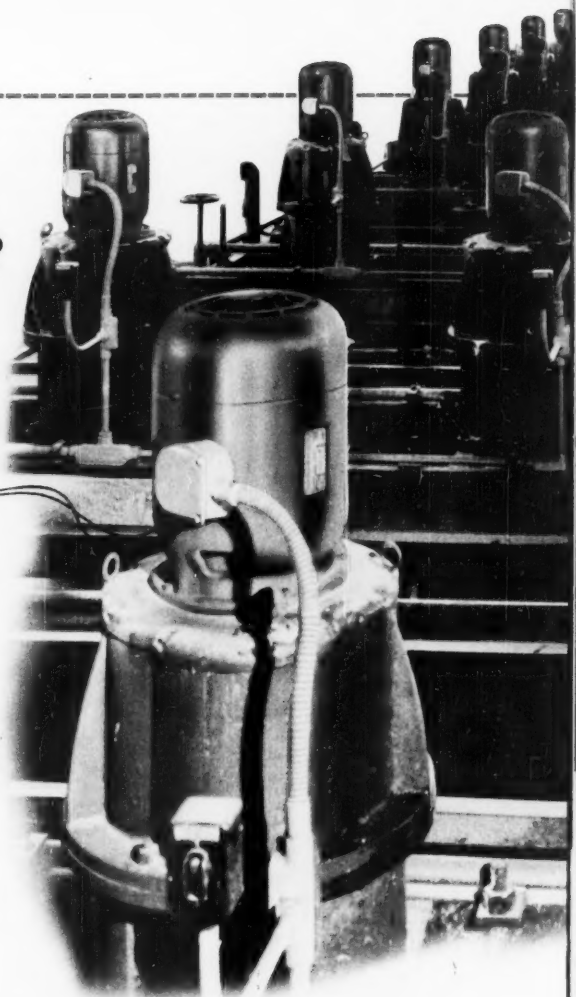
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for LIFE**

It costs money to "baby" electric motors with constant greasing attention, whether it's a few or a few hundred.

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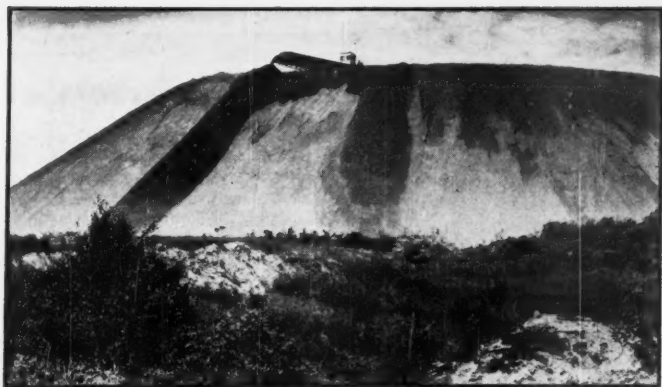
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**Westinghouse**  
***Life-Line***  
**Motors**



*Litho in U. S. A.*



**TRAVELING STACKER:** On the Mesabi range, this stacker makes a synthetic mountain out of overburden carried by belt from iron ore deposit



**BELT-MAKING:** Building up plies into the carcass of a conveyor belt. Friction holds belt together until it is ready for final vulcanizing

beltmakers, like Goodyear Tire & Rubber Co.; B. F. Goodrich Co.; U. S. Rubber Co.; Manhattan Rubber Co.; Hewitt-Robins, Inc.; Boston Woven Hose; and (2) equipment makers like Link-Belt Co.; Jeffrey Mfg. Co.; Stephens-Adamson Mfg. Co.; Chain-Belt Co.; Joy Mfg. Co.; Goodman Mfg. Co.; and Hewitt-Robins, Inc.; Continental Gin Co.; and others. Some of these companies tend to specialize in mining work. Hewitt-Robins, through its Robins Conveyors Division, handles complete jobs, supplying engineering, equipment, and belt.

• **\$75-Million Business**—According to the Conveyor Equipment Mfrs. Assn., heavy-conveyor business in 1948 reached \$75-million. This figure does not include spare parts or conveyors built from parts bought separately.

Belt conveyors were first used in this country as long ago as 1700. An early American, Oliver Evans, discussed them in his "Millers Guide," published

in 1775. Evans was promoting the idea of moving bulk materials automatically by using buckets and belts. But up until 1891, nothing heavier than grain was carried.

## V. History

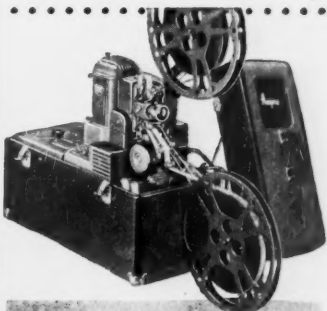
In that year Thomas Robins, father of the present president of Hewitt-Robins, devised a special belt for Thomas A. Edison. Used for handling heavy magnetic ore, it had a rubber cover to take the abrasion.

Robins next devised a troughed idler to increase belt capacity, setting the side pulleys on angle brackets. That basic three-pulley idler idea is still in use today, with refinements that include ball bearings and lubricating devices. (Engineers are now talking about a two-pulley troughing idler that would simplify manufacturing and servicing.)

• **Real Start**—The conveying industry got its real start in 1895. American

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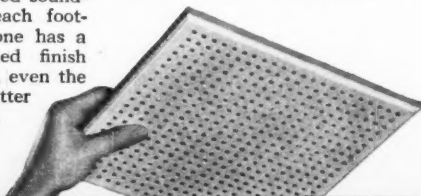


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### ARMSTRONG'S CUSHIONTONE



Made by the Makers of Armstrong's Linoleum and Asphalt Tile

mining engineers opening up the South African gold mines read a paper by Robins describing the belt conveyor. The gold ore was abrasive, destroyed metal conveyors. It was also low-grade ore, so huge quantities had to be handled. The engineers ordered conveyors by cable. Their success with the belts interested American companies in the idea.

From that point on, conveying moved into numerous fields—coal, stone, sand and gravel, ores. Manufacturers of rubber goods began to look into the possibilities of making shock-resistant, long-lived rubber belt. Machinery manufacturers saw the possibilities of making idlers, driving equipment, trippers, takeups, and the host of mechanical accessories that bulk conveyors need.

• **Selling Points**—Salesmen sharpened their pencils, went out to sell industry generally on the plusses of bulk belt conveyors: (1) They go in a straight line; (2) they can take grades four times that of a railroad; (3) they can go through "ratholes" in mountains, need no ventilation or high tunneling; (4) they are smokeless, odorless; (5) running downhill, they can pump power back into the lines; (6) their power plants are fixed in place, not carried along as in a freight train; and (7) they release valuable hillside areas that contain coal or ore, but can't be undermined because they support a road or track.

But conveyors must be economically justified. They are expensive to install. So they must handle large quantities on a regular basis, over long distances, where terrain might be unfavorable to other types of carriers.

## VI. Expansion

Because it could be economically justified, the technique came into wider and wider use. One of the earliest major belt lines was built for H. C. Frick Coal Co. in 1924. It moved coal 4½ miles through a mountain. One estimate is that this line has handled 65-million tons of coal since its installation.

• **Early Job**—A job that forecast the Ohio project of A.C.&Y. was the Denny Hill regrade project in Seattle, accomplished in 1929. A mountain of earth—5-million cu. yd.—was moved from the center of the city to the bay. The earth was picked up by shovels, deposited on a long belt conveyor that ran on an elevated structure through the streets of the city (picture, page 51), at the rate of 600 cu. yd. an hour. The conveyor ran 23 hr. a day without disturbing city traffic.

In swift succession, more jobs came up: Grand Coulee Dam, where 2,000 tons per hr. were handled; Shasta Dam, where 10-million tons of gravel were

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**Make Oil and Water**  
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**I**T is a system—the **HLB System**, to be exact—that saves time and effort for industrial chemists.

Countless familiar products are made by mixing oils, fats, or waxes with water—despite the age-old saying that “oil and water don’t mix.” For example: cosmetics, polishes, insecticides, cleaning compounds, and water-thinned paints. The trick is to use a chemical called an emulsifier.

Hundreds of different emulsifiers have been developed to go with hundreds of different combinations of other materials. The industrial chemist normally must go through countless trial-and-error samplings of emulsifiers and combinations of emulsifiers to find the one that is right for his particular job. The new Atlas **HLB** (Hydrophile-Lipophile-Balance) System frequently eliminates tedious experimentation—helps technicians make quick work of choosing the *right* emulsifier for *their* products—even when the application is exclusive!

The Atlas **HLB System**—the first of its kind—is based on empirical numbers representing the Hydrophile-Lipophile (water-loving . . . oil-loving) balance of each emulsifier. It is the latest Atlas contribution to industry. The **HLB System** is described in detail in Chapter 2 of the new Atlas publication, “Atlas Surface Active Agents.”



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# Flame hardened molds last longer... produce higher packing quality



**Morley Machinery Corp.**, Rochester, N. Y., was asked to solve a problem for their customer, the Garlock Packing Co., Palmyra, N. Y. This firm is engaged in the manufacture of mechanical packing made of a rubber composition. The steel molds used in the process were wearing out too fast, causing unwarranted expense and trouble to them.

**Harry Koerner and Steve Smith**, Airco Representatives, worked with the Morley Company in devising a special oxyacetylene flame hardening operation to increase the service life of the molds. Two revolving, adjustable-speed table set-ups were used to accommodate symmetrical and circular steel surfaces up to 24 and 64 inches in diameter. Each set-up included three Airco flame hardening

torches and tips for hardening the molds. Depth of flame hardening was controlled to about 1/16" on the lips and faces of each set of molds.

The Garlock Packing Co., expressed extreme satisfaction with the process; they found that the treated molds not only lasted far longer than before, but produced a higher quality of packing. This resulted in more economical service to the packing users.

## TECHNICAL SALES SERVICE — ANOTHER AIRCO PLUS-VALUE FOR CUSTOMERS

To assure its customers of high efficiency in all applications of the oxyacetylene flame or electric arc, Air Reduction has available the broad, practical experience of its nationwide Technical Sales Division personnel. The collective experience and knowledge of these specialists has helped thousands to a more effective use of Airco processes and products. Profit by this Airco "Plus-Value" service. Ask to have a Technical Sales Division man call today. Write: Your nearest Airco office. In Texas: Magnolia Airco Gas Products Company. On West Coast: Air Reduction Pacific Company.



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. . . Gas Welding Apparatus and Supplies . . . Arc Welders, Electrodes and Accessories.

handled (at an estimated cost of 12¢ a ton) on a 10-mile system that crossed two rivers; Bull Shoals Dam, Ark., a seven-mile system that is still in operation; the Butler Bros. project on Minnesota's Mesabi range. Here a belt is carrying away a 140-ft. thickness of earth and stone that is covering a 25-ft. thick seam of iron ore. An area of 40 acres must be cleared, with the belt taking 45,000 tons of earth to the spill.

• **Complex Business**—The complex nature of the conveying business, makes it difficult to give specific credit for any one job to any one company. In many cases one company will supply belting, another equipment. Hewitt-Robins has set up its Robins-Engineers Division to handle belt and equipment. It reports that since the consolidation it has tripled its dollar volume in sales over what its Conveying Division alone did before. It is safe to say that business for companies that handle only one part of the job is also on the way up.

Example: Belt sales ran about \$35-million in 1945, compared with \$30-million in 1947. Goodrich has a new multi-million-dollar belt plant under construction. U. S. Rubber Co. recently boosted its plant capacity 30%. One reason for optimism: Coal mining is using about 5-million ft. of belting today; yet belt men say that the industry is really only 20% mechanized from their angle. So they look for lots of new business as well as replacement business. It follows that if the belt makers expect business to remain good, the equipment makers stand to benefit, too.

## VII. What's Ahead?

Meanwhile, beltmakers are working on new tricks to lengthen belt life, extend its area of use. For example, belts today last through 25- to 40-million tons of coal. They can carry, in useful life, from 80- to 100-million tons of less abrasive materials like fine cop-



**COAL DELIVERY:** Coal pours from underground veins off this 2,640-ft. belt, strengthened with cotton and nylon fibers

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January 17, 1949

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THOMAS EQUIPMENT COMPANY

*Thomas M. Ferguson*  
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Owner

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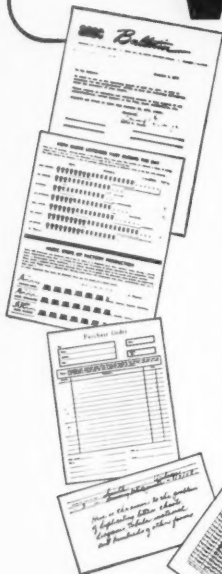
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per ore. High-strength belts can lift materials more than 800 ft. vertically along grades up to 23%.

• **Strength**—To get additional strength, beltmakers are using high-strength duck, or rayon, or special cottons (like Ustex). Nylon cord is being used crosswise for its flex strength (it won't work lengthwise, though, because it has too much stretch). Lengthwise steel cable, brass-plated and vulcanized right into the rubber at the central axis of the belt, can be used for strength. Also, some manufacturers are experimenting with glass fabric for heat resistance, and "cold" rubber for abrasion resistance.

Belts today can withstand temperatures from 300 to 350F. Thus they can handle coke, hot foundry sand, other tough jobs.

• **Design Improvement**—Also, equipment makers have been hustling their design work along. Belt drives today are a lot better than they used to be. Fluid couplings now often prevent overload of the driving motor, give smoother starts. Antifriction bearings, one-shot lubrication systems, special alloy steels for shafting are other new developments.

The latest wrinkle: Make a belt take a curve. If the curve is of long radius, industry men figure that they can do this by "banking" the idlers on the inside edge of the belt (contrasted to roads which are banked on the outside). Transfer mechanisms and feed mechanisms are also getting plenty of study. These must handle the material with a minimum of shock—so coal isn't broken up—and must be adjustable in feed so that the belt isn't suddenly overloaded. In the works, right now, is a transfer mechanism that substitutes a rotating tube, pitched at a flat angle, for the conventional chutes.

• **Caution**—How many of these new developments will appear in the A.C.&Y. project is problematical. Engineers in charge say they plan to stick to proved techniques and mechanisms—at least in the project's initial stages.



**BIG LOAD:** Conveyor belts of reinforced rubber can carry rocks as large as this—or tiny grains of sand



## New Coal Drier Takes Out Most Moisture

If you burn sub-bituminous coal, a good chunk of your fuel money is spent on water. Water may make up as much as one-quarter of the tonnage you pay for.

• **B.t.u.'s Sacrificed**—Water causes trouble, too. You have to sacrifice B.t.u.'s in burning to dry out the coal; storage is expensive because the fuel is subject to spontaneous combustion; pre-drying is a slow and costly process.

The Bureau of Mines has been doing steady research on the problem at its Golden (Colo.) station. It has worked out an economical high-heat coal drier which, on a laboratory scale, looks like the answer to some experts.

• **How It Dries**—The drier has a combustion chamber fired with a low-oxygen gas mixture at 2,000F. A chrome-alloy diaphragm, pierced with small holes, separates the chamber from a stack. Powdered coal is blown into the stack just above the diaphragm. The flow of the hot gas through the stack carries the coal in its blast, dries it almost instantly.

Within 14 min. after it enters, the coal drops out onto a receiving drum. By then, its moisture content is only 3%—compared to 25% or better when it started. B.t.u. value climbs from about 8,500 a lb. to 11,500 a lb.

• **Cost**—Vernon F. Parry, supervising engineer at the station, believes the cost of treatment in a commercial-size installation would run from 20¢ to 40¢ a ton. Capacity of such a unit would be about 2,000 tons a day. For most economical operation, the drier should be installed at the mine where it would save hauling the useless water. Parry's present drier is a pint-size, 4-ton-a-day model; but a larger pilot-plant setup is in the works.

The drier can be used on any coal regardless of its moisture content; it can process even the lignites, which are half water. The station already has received 10 tons of coal from Greece that are 50% water. Now its job is to see how the Greeks can economically make a usable fuel out of it.

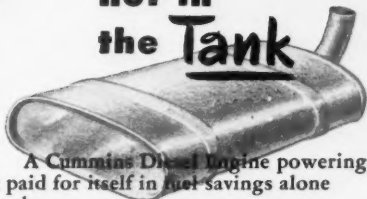
## PAPER THAT'S REALLY THIN

Paper so thin that 5,000 sheets would stack only an inch high is being used by General Electric Co.—as insulation between aluminum-foil windings in capacitors. It's made of the same raw materials as an ordinary paper bag (principally wood pulp and water). The paper is about 1/17th the thickness of a human hair; 450 lb. of water are used in making each pound of paper. One capacitor alone uses more than a mile of it.



# Cash

in the Bank  
not in  
the Tank



A Cummins Diesel engine powering a freight truck paid for itself in fuel savings alone in less than eight months.

Fuel and lube oil costs for the Cummins Diesel averaged 2.3 cents per mile as compared to the 5.1 cents per mile averaged by a gasoline-powered truck operating on the same run. Fuel savings with the Cummins Diesel during two years and 300,000 miles operation totaled \$8,400.00

You can bank on Cummins Diesels . . . and bank the money they'll make for you.

## OK prove it!

Show me how Cummins Diesels (50 to 550 horsepower range) can save me money powering the equipment checked below:

- |   |   |  |
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| <input type="checkbox"/> Highway trucks         | <input type="checkbox"/> Pumps                        | <input type="checkbox"/> Locomotives           |
| <input type="checkbox"/> Off-highway trucks     | <input type="checkbox"/> Aggregate plants             | <input type="checkbox"/> Motorcars             |
| <input type="checkbox"/> Busses                 | <input type="checkbox"/> Sawmills                     | <input type="checkbox"/> Fishing boats         |
| <input type="checkbox"/> Earth movers           | <input type="checkbox"/> Planer mills                 | <input type="checkbox"/> Work boats            |
| <input type="checkbox"/> Excavators             | <input type="checkbox"/> Cotton gins                  | <input type="checkbox"/> Pleasure boats        |
| <input type="checkbox"/> Log-handling equipment | <input type="checkbox"/> Feed and flour mills         | <input type="checkbox"/> Generating sets       |
| <input type="checkbox"/> Drilling rigs          | <input type="checkbox"/> Ice and refrigeration plants | <input type="checkbox"/> Other (specify) _____ |

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## PRODUCTION BRIEFS

**Another TV image-expander:** Hallcrafters Co. is putting one into a 10-in. set, out last week. Device expands the image so that the screen shows a closeup of center action instead of the over-all view. A 16-in. receiver with an expander will follow.

**Cotton suits that resist wrinkling** will be easier to find next summer. Avondale Mills now has a cotton cord treated with American Cyanamid's Superset Resin (BW—May 8 '48, p48).

**Shell Oil companies** have earmarked a record \$24-million for research this year. Stress will be on agricultural and aviation projects.

**Circuit breaker** that blows out the flaming arc of a short circuit has been developed for high-voltage lines by Westinghouse. Device uses compressed air under pressure of 250 p.s.i.

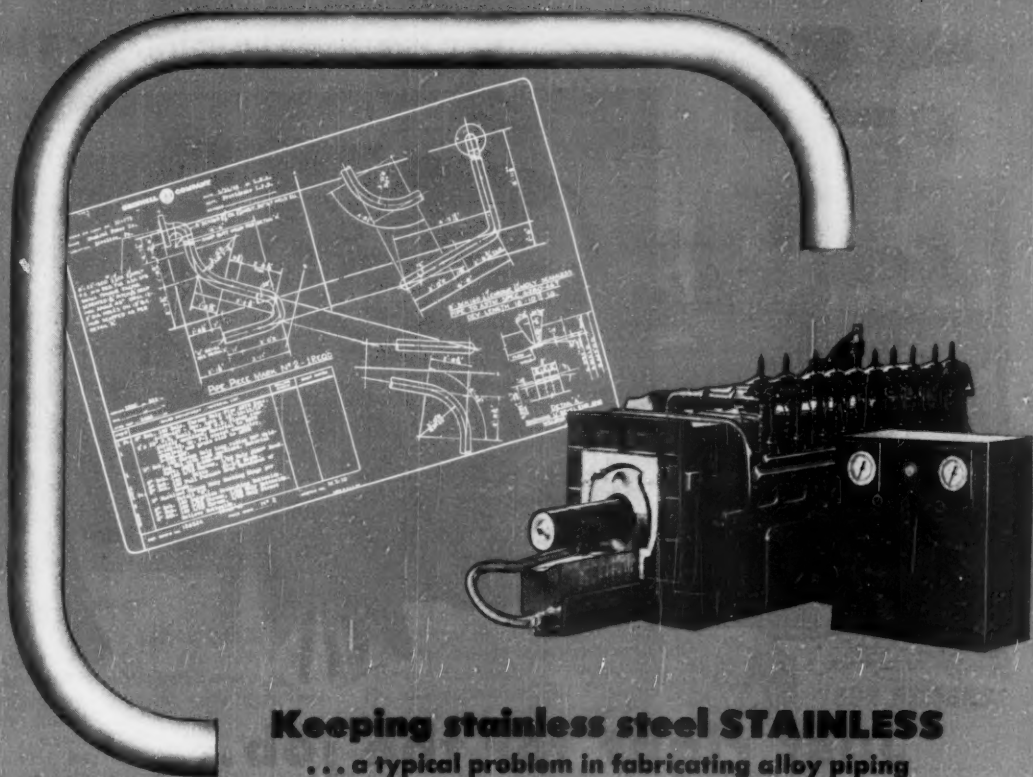
**Phoenix Oil** has set up a new Augusta subsidiary, Phoenix Chemical Co. Plant will make detergents, adhesives, resins, and dispersing agents. Plans include a \$500,000 laboratory.

**Chemical production** hit a new high in 1948. The American Chemical Society estimates the value of output of basic or industrial chemicals at more than \$3-billion—10% over 1947. It says tonnage rose, too.

**Coal-to-oil plant costs** can be cut by improved equipment design, changes in some of the processes. Findings are based on operation of the demonstration plant at Louisiana, Mo. Write for: Information Circular 7486, Improvements in Hydrogenation of Coal, Bureau of Mines, 4800 Forbes St., Pittsburgh 13.

**Gallium** is now being produced and sold by Alcoa. The rare, silvery-white metal costs about twice as much as gold. Some properties of the little known metal: It melts at 86F, but won't boil below 3,700F; like water, it has a greater density as a liquid than as a solid.

**Fairchild Engine & Airplane** has licensed Continental Motors to work with the Al-Fin bonding process used to join aluminum and its alloys with steel or iron in airplane-engine manufacture. Continental will employ it in turning out its new light-weight tank engines for the Army (BW—Dec. 25 '48, p38).



## Keeping stainless steel **STAINLESS** ... a typical problem in fabricating alloy piping

Heat a piece of stainless steel pipe to bend it and right away you're up to your ears in metallurgical complications. To begin with, stainless steel isn't just one alloy. There are hundreds of different types of stainless steel, each selected for its resistance to corrosion or its stability at high temperatures. To maintain the metallurgical properties which dictate the choice of a particular alloy steel, you have to know the temperature range within which this steel may suffer excessive metallurgical changes. And you have to have specialized equipment to maintain the precise control necessary to avoid these hazards.

Grinnell pipe fabrication equipment includes specially designed gas-fired radiant heat furnaces for this precisely controlled heat treatment of stainless steels and other alloy steels. Multiple burners are strategically located to distribute temperature uniformly and to prevent harmful flame impingement. Precision instruments regulate temperature and time.

It's an intricate business . . . fabricating alloy steel piping. It's a job for Grinnell prefabricating plants because Grinnell has the equipment and modern methods, the interpretive engineering, the metallurgical research facilities and the skilled personnel.



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It's different when you get a "Job-Rated" truck. Here's why:

Your Dodge "Job-Rated" truck will have exactly the right one of 7 different truck engines. Further, that engine will be one that's engineered

to deliver "top" horsepower and torque . . . with *real* economy.

Your truck will also have exactly the



### The Right Units Throughout!

right clutch, transmission, rear axle, gear ratio, frame, springs and tires. Such a truck will stay on the job. It will give you better service. It will last *longer*. All of which means that you can amortize your investment over a much longer period of time. Your truck will save you money . . . every mile you drive it.

How can you get a truck "Job-Rated" to fit your job? See your Dodge dealer. Tell him your operating conditions and requirements. He will then recommend the right truck for *you* from 248 different basic chassis models.



See Your  
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Dealer!

You know that the best way to *make* money is to *save* money. That's why we suggest that *you* . . . like an ever-increasing number of economy-minded truck buyers . . . *switch* to Dodge "Job-Rated" trucks!

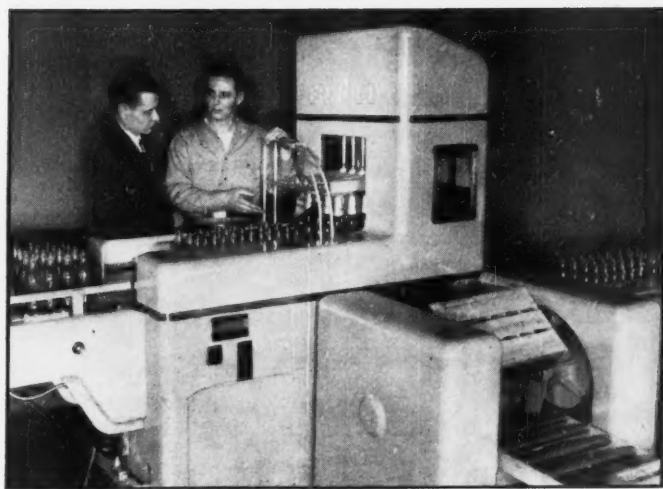
For the good of your business...



switch to **DODGE**  
"Job-Rated" **TRUCKS**

FOR THE LOCATION OF YOUR DODGE DEALER, CONSULT THE YELLOW PAGES OF YOUR PHONE BOOK

## NEW PRODUCTS



### Case Emptier

An automatic machine developed by Edward Ernold Co., 652 Hudson St., New York 14, will be a time-saver in unpacking and emptying cases of bottles and other containers.

The machine plucks containers out of cartons, deep or shallow cases, and trays. It automatically lines up the bottles on a continuous belt, shunts the empty cases on to side conveyors. Odd-size or damaged cases, or those with wrong bottles, are rejected. Grippers on the machine are designed to pick up bottles that are tilted or out of line.

• Availability: in pilot production now; commercial output in about six months.

### Table-Top Paper Chewer

Shredmaster Corp. has launched a new table-top paper shredder, the first it has designed for small offices. Suggested uses: destroying confidential papers, salvaging waste paper for packing material.

The machine chews up the paper into long shreds  $\frac{1}{8}$  in. wide at a top speed of 600 lb. per hr. It operates almost noiselessly on a 1-hp. electric reversing motor.

The shredder is equipped with safety devices, is simple to operate and maintain. The knives have to be re-sharpened only once every four years, designers say. Shredmaster is at 205 Willoughby Ave., Brooklyn 5.

• Availability: two weeks.

### Plating Remover

A chemical stripper that cleans nickel and other metal coatings off steel is

being made by Enthone, Inc., 442 Elm St., New Haven, Conn. Company engineers say that the stripper completely dissolves the outside coat—without attacking the steel itself.

The alkaline-base stripper is used in a bath solution; it works without electric current. Parts are dunked in the bath, which is heated to a temperature of around 180F. Stripping speed varies from 0.0002 in. to 0.001 in. an hour, depending on concentration of the solution and on the temperature that is maintained throughout the operation.

After the stripping is finished, the steel part, in most cases, needs only a dip in acid to neutralize the alkali. Then without further processing it can be replated.

• Availability: immediate.

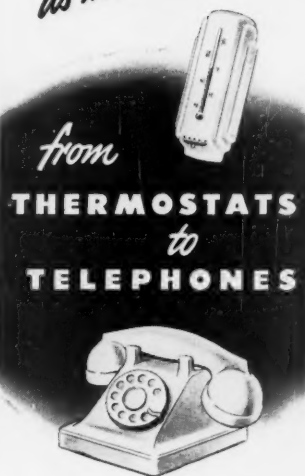
### Versatile Bandsaw

Whether you're working with steel or foam rubber, Tyler Mfg. Co. thinks you'll find its power bandsaw a smooth, quick cutter for even the trickiest pattern. That's due mainly to two innovations—a spiral saw blade and a new planetary transmission.

The cutting blade spirals around the band like a corkscrew. It therefore cuts in any direction, which means easier handling of the work. Also, because there's no saw-tooth edge on the blade, there's far less danger of slashing your fingers. Tyler says you can actually touch the blade while it's moving without injury.

The planetary transmission gives you a speed range from 70 ft. a min. (for steel, other tough metals) to 5,000 ft. a min. (for wood, aluminum, light materials). Other features: rubber-

**IF** *it's molded plastic..*



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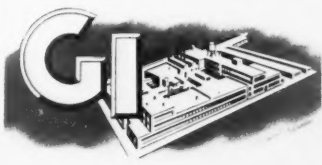


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Here's a proved way to prevent excessive molding costs . . . to eliminate the danger of costly design changes before your products have passed the drawing-board stage.

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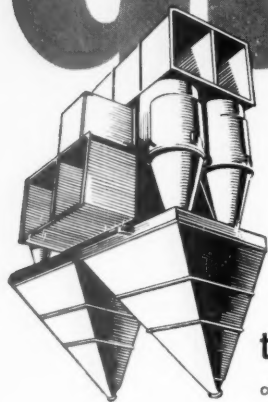
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of maintenance costs won't add up to a costly dollar-pool, if your dust recovery system is custom-engineered by Buell. The large-diameter cyclones won't interrupt your operation by clogging. Individual inlets to each cyclone insure even distribution of dust-laden gas. The utter simplicity of a Buell cyclone prevents costly operating complications. With all this, the patented van Tongeren 'shave-off' makes operating efficiency surprisingly high. The money-saving facts are all in the new 32-page catalog. Write to: Buell Engineering Co., 60 Wall Tower, New York 5, N. Y.

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Engineered Efficiency in  
**DUST RECOVERY**



tired guide rollers that hold the blade on the cutting line; speed-adjustment dial; ball-bearing assemblies. Maximum table tilt is 45 deg. The saw is powered by a 4-hp. 110-v. motor. Tyler's address: 6151 W. 98th St., Los Angeles 45.

• Availability: 60 to 90 days.

## High-Speed Page Sorter

A high-speed collator made by Reproduction Products Co. will be on the market this month. The unit, which is completely automatic, puts sheets in page order at a rate of about 55 sheets a minute.

The machine has a revolving drum with 50 bins. After each sheet is fed into the machine the synchronized drum moves one position; that brings a new bin into place to take the next sheet.

The collator can be regulated so that it automatically makes up the exact number of books you want. Each bin has a capacity of 100 sheets. The company address: 1714 N. Damen Ave., Chicago 47.

• Availability: five weeks.

## Dictation Pickup

Gray Mfg. Co. has completed designs for a compact desk microphone for dictation. Company engineers say it picks up conversation at a distance of 12 to 15 ft.—and no preamplifier is necessary.

Gray built the mike to work with its Audograph Electronic Soundwriter, a plastic-disc recorder. It's controlled by a small button that you operate with your foot; your hands are free to take notes or make jottings while you dictate. When you want to play back, the microphone becomes a speaker. The unit is 4 in. high, takes up about 5 in. of desk space. Gray's address:

# SAVINGS ARE PROFITS

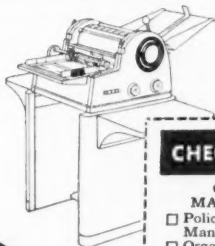
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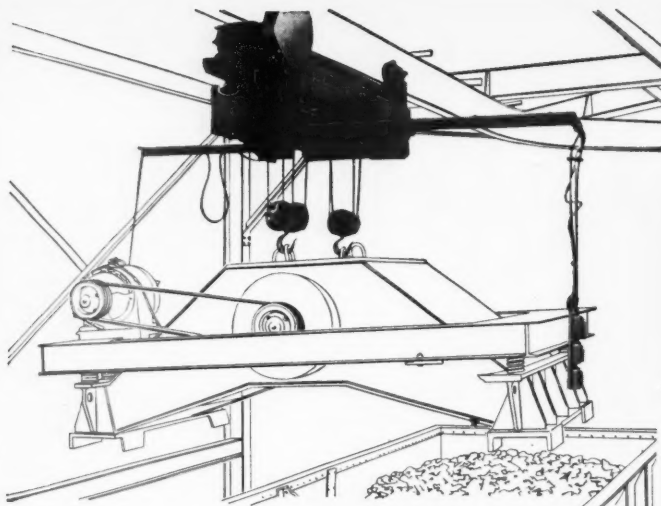
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Speed and efficiency of car unloading hit a new high with specially-designed Robbins & Myers Twin-Hook Hoists on the Robbins Car Shakeout.

**ADAPTABILITY** . . . Engineered to specific-duty requirements, Robbins & Myers Hoists are adaptable for all types of shakeout installations. Screw-type, upper and lower limit switches are adjustable to permit locating of shakeout at normal hopper heights. Flexibility of controls enables operator to position the shakeout accurately for use on hoppers of varying heights. Trolley wheels on units equipped with motor-driven trolleys are adjustable from 10" to 20", depending on the size of the I-beam used.

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**FEATURES** . . . Blocks are reeved with two independent steel cables. Either will hold the weight of the shakeout unit. Safety latches on the hooks eliminate unintentional releases of the load. Interlocking limit switches keep trolley motor from running until the shakeout clears the car; prevent operation of the shakeout motor until shakeout is positioned on another car.

**SPEED** . . . 16 F.P.M. (60 cycle) on lifts to 25 feet.

**CONTROL** . . . A push-button control panel, furnished as part of the hoisting mechanism, energizes the shakeout motor and the hoist motor; activates the trolley drive if the unit is motor driven. Contained in a dust-proof case, this equipment provides independent control of the hoist and shakeout from a single station. Everywhere lifting is done, R & M Hoists show comparable efficiency. Available in capacities from 250 to 20,000 lbs.

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• Availability: immediate.



### Mechanized Window

The list of pushbutton equipment for the house now includes an electrically operated double-pane window.

Made by Vita Automatic Windows, Smithtown Branch, N. Y., the window is "hung" on a wire screen. The screen is wrapped on a hidden roller driven by a 1-hp. motor. When you want to open the window, you simply flick a switch. The screen unrolls, lowering the window into a recess in the wall beneath the sill. Another flick of the finger raises the window. You can stop the window anywhere you want by merely setting the switch at neutral.

There's no need for locks; once the window has been closed, it can't be pried open. In case of a power failure, you can use a hand crank. Cost of installation depends on the type of building construction.

• Availability: 45 days.

### P. S.

**Executive signature book** keeps letters you have to sign in a neat folder on your desk. Book has 20 pages of blotter stock, space for envelopes, copies, and inclosures for each letter. Made by Scan Corp., 9 Rockefeller Plaza, New York.

**Permanent blotter** that lasts for years is made of a chemically treated mineral composition. Rocker-shaped, the blotter has a metal top that can be imprinted for promotion giveaways. The maker: Blocaris, 755 Boylston St., Boston 16.

**Tilting trailers** for carrying tractors or mixers from job to job have been added to La Crosse Trailer Corp.'s line. Machines can be loaded on or unloaded from the beds without skids or blocks. Capacities: 6 to 8 tons; 8 to 10 tons. Company is at La Crosse, Wis.

... the human ingredient  
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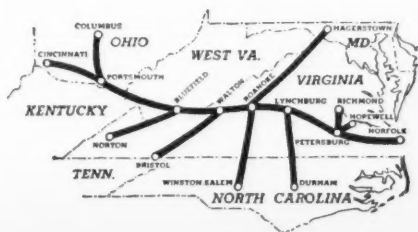
In modern railroading, the signal repairman is vitally important to the ceaseless, clockwork movement of trains. All the men who work at hundreds of specialized jobs on the Norfolk and Western Railway have an indispensable responsibility in "making the trains run" . . .

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## READERS REPORT:

### Executives' Work Week

Sirs:

I got a great kick out of your recent editorial on the 40-hour week for executives [BW—Jan. 22 '49, p. 124—"How Long Should a Workweek Be?"]

It did hit me somewhat between the eyes, for it was just my life story. Personally, I enjoy my job. In fact, I am fascinated with it, so that, aside from some golf in the summer and bowling in the winter, I get the greatest joy out of working.

My own opinion is that each one is put in this world to do his part to try to make things better for civilization in general, and if one really enjoys working, why not do it, even though it may shorten one's life a little?

HENRY D. SCHMIDT

PRESIDENT,  
SCHMIDT & AULT PAPER CO.,  
YORK, PA.

Sirs:

My experience indicates that a man's statement as to how many hours a week he works is just as unreliable as a woman's answer as to her age.

Real working hours are largely a matter of definition. For a shopman, it is normally the number of hours for which he is paid. On this basis, it is the same for the president of the company. A better definition would be the time spent in doing what he should do, or felt he had to do, rather than what he would otherwise like to do.

Under such a definition, the company president would naturally, and rightly, count in his many one- to two-hour breakfasts, luncheons, and dinners with associates and mostly devoted to "shop talk," but frequently interspersed with golf, fishing, hunting, baseball, etc. He would probably also count in his hours devoted to travel to conventions, district meetings, employee gatherings, and many affairs where the reciprocity factor you mention in your editorial is a prime motivation. The workman these days not only has to eat on his own time (and money) but also often has to live far from his job and cannot risk being late; and some must spend two to three hours every day in travel, but in a far less restful and comfortable manner than that of an executive.

A surprisingly large percentage of workmen repair their own cars and homes, improve their homes, and build summer camps in their off hours. They do not do this because they want to, but because they have to in order to balance their budgets. Their problem is money, not time, in improving their



standards of living. They have as much right to call such time "work" as the company president who buys these services because time is his problem more than money. Other men spend many hours on such activities as Boy Scouts, Sunday School, or YMCA leadership largely from a feeling of social obligation. They are just as entitled to consider this time as hours worked as the company president who counts time at civic or industry dinners and meetings.

I believe true "hours worked per week" is more a matter of energy, ambition, and initiative of the individual than one of title or job classification. Of course, in most cases, only men with such traits become company presidents. On a fair definition of hours worked, however, any company has many men who really "work" as long hours as the president.

WILLIAM C. WHITE

SCHENECTADY, N. Y.

Sirs:

Your editorial on the length of the executive workweek missed the main point. That is, executives themselves are to blame for their "plight."

If business leaders would readily accept the aid of their associates and subordinates rather than try to carry the full load, they would do a much better job and live longer, pleasanter lives.

When overworked executives bring themselves to realize that others can perform parts of the executive function just as well as they can—if not better—then these leaders will become true managers.

RAYMOND F. ROGERS

BOSTITCH, INC.,  
WESTERLY, R. I.

## Reasons for Coal Jam

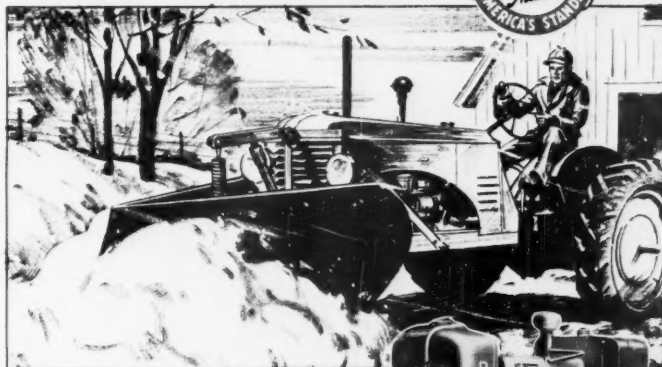
Sirs:

Some of our officers have read with a little distress your article, "Keeping Coal Moving at the Lake Ports" [BW—Dec. 4 '48, p. 24]. One paragraph in particular didn't sit well:

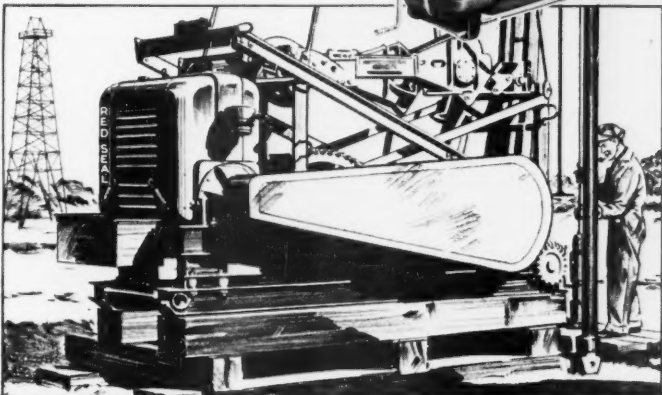
"Reasons given for the glut depended a little on who was doing the telling. Some blamed it on Chesapeake & Ohio. When the coal mines shut down last April, C. & O. cut off not only road crews but office employees as well. The clerical workers promptly fanned out, got jobs elsewhere. Then, when the short miners' strike ended, Chesapeake & Ohio had to start with green office help."

While we do not claim immunity from any criticism for some of the congestion at the lake ports after the mines reopened, it seems a little bit unreasonable to single out the C. & O. when, as the record shows, other railroads

## RED SEAL ENGINES BUILT FOR THE JOB



Wherever you look, you'll find more and more users of Continental Red Seal power. For there is a complete line of Red Seal engines ranging from 1/2 to 270 h.p., and each the one best engine for its specific job. The 4-cylinder model at right delivers up to 40 h.p. for operating pumps, hoists, drills, cranes, compressors and other applications.



## A Model Built for Every Job . . .

At any given horsepower, there are up to 20 Red Seal engines from which to select the model suited to the work. The manufacturer of power equipment, to whom engine speed, type of fuel, profile and weight are major factors in this choice, will find in the broad Red Seal line the engine built for his job.

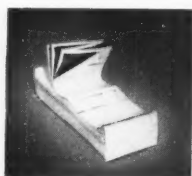
And the purchasers of power equipment—trucks, buses, farm machinery, oil field or industrial machines, and dozens of specialized units—are assured of peak efficiency and lowest operation costs, by choosing the equipment with Continental Red Seal Power.

***Continental Motors Corporation***  
MUSKEGON, MICHIGAN

# If *business forms* *cost you money* *...and they do* *why not SAVE* *by combining them?* *use UARCO forms*

Then *one form* does everything. One writing makes a copy for each department, for everyone concerned—a copy exactly suited for this specific job!

Uarco business forms do just that. No delays, because there's no recopying—none of the errors that recopying brings! See how you can simplify your business with Uarco business forms. Call your Uarco Representative for complete survey of your needs. No obligation at all.



for instance... Leading dairy combines forms to eliminate three operations in Addressograph department—do away with tiresome recapping on deliveries. Were using—four forms per customer per month, two route sheets, two statements—280,000 Addressograph impressions. Now using—one UARCO Manifold Carbonset Form—only 70,000 impressions per month!

## UARCO INCORPORATED

Chicago, Ill.; Cleveland, Ohio; Oakland, Calif.; Deep River, Conn.  
Offices in all principal cities

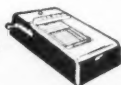


CONTINUOUS-STRIP FORMS  
FOR TYPEWRITER AND  
BUSINESS MACHINE RECORDS



SINGLE SET FORMS

AUTOGRAPHIC REGISTERS  
AND REGISTER FORMS



*Business Forms*

were equally responsible for similar incapacity.

We hope you had not intended to indict the C. & O. for failure during an unprecedented rush period and at the same time give a clean bill of health to the Pennsylvania R.R., the New York Central, and the B. & O., who were unable to handle the peak volume tendered them in a short period of time.

We have great respect for your good publication in this organization, and just feel that you would want to know our reaction to what you have printed.

THOMAS J. DEEGAN, JR.

VICE-PRESIDENT,  
CHESAPEAKE & OHIO RY. CO.,  
CLEVELAND, OHIO.

• BUSINESS WEEK was singling out no one. We simply were reporting what some industrialists in Cleveland told us, frankly labeling their remarks as "reasons [that] depended . . . on who was doing the telling."

## Florida Beckons Industry

Sir:

Your interesting article about Miami [BW—Jan. 8 '49, p. 24] really describes the tourist business, but we also have industry that does not depend on tourists.

Miami is growing and changing constantly. Our city fathers are confused as to what or whom to favor—tourist or industry. They are just waking up to the fact that we can have both, and need both for healthy growth. Items manufactured are of top quality, cost less to fabricate, and provide a year-round income for thousands of families.

Now what do we manufacture in Miami? I'll list a few: wearing apparel that leads the fashion of the nation, shoes, aluminum windows, screens, [blinds or shutters with slanted, horizontal louvers] of innumerable designs, electric and solar hot water heaters, insulating wallboard, batteries, furniture, paints, cosmetics (and, by the way, a face cream made from papaya is really a miracle cream), perfumes, sporting goods, communication equipment, lime, leather goods, boats, wire nails.

Port Everglades just north of Miami is an excellent port for large ships. Our airport is the key takeoff point for Latin America.

With plenty of room for expansion, we invite some of the snowbound aircraft manufacturers to investigate the facilities available and the potential possibilities in locating here.

Florida beckons industry to the paradise state of the Union.

ALBERT A. GREEN  
SOUTHEASTERN RESEARCH,  
MIAMI, FLA.



## The big ones go for stainless steel

A stouthearted "musky" lashing to froth the clear, cold water of a wilderness lake! You'd go a long way to find a thrill to match it . . . or to find fishing tackle that's brighter or more durable than ARMCO Stainless Steel.

The qualities of great strength, long life, and rustless beauty that make stainless steel so desirable in fishing tackle make it ideal for other sports equipment, too. It adds durability and sales appeal to golf-club heads and ice-skate blades, ski springs and binders, sailboat stays and rub rails.

ARMCO Stainless not only gives added sales appeal to thousands of products for home, farm and industry, but is an economical metal to use. The labor cost for

fabricating stainless is no more than with inferior metals, and yet the buyer gets far more value for his money in appearance and lasting, trouble-free service.

Stainless steel in various forms and types is only one of the many special-purpose steels Armco produces for the exacting needs of product and equipment manufacturers. There is a type, grade and finish for virtually every requirement.

Customers of these manufacturers have learned to trust the ARMCO triangle as a guide to extra quality and economy. They look for this famous trademark when they buy. Armco Steel Corporation, 67 Curtis Street, Middletown, Ohio.

Export: The Armco International Corporation.

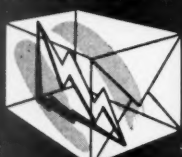


### ARMCO STEEL CORPORATION

THE FAMILIAR ARMCO TRIANGLE IDENTIFIES SPECIAL-PURPOSE STEELS THAT HELP MANUFACTURERS MAKE MORE ATTRACTIVE, MORE USEFUL, LONGER-LASTING PRODUCTS

## ELECTRICITY

makes  
a  
neat  
package



Every day Central Paper engineers and laboratory technicians are helping management discover new uses for paper in the electrical field . . . and in many other fields, too, Central Engineered Papers can have various special properties, beside their electrical properties—properties such as wet strength, flame resistance, moisture resistance.

Central Paper stands ready to help you solve your problem. Our engineers, backed by extensive laboratory and production facilities, can aid you in improving your product, increasing production, and lowering manufacturing costs. Call on us.



**CENTRAL PAPER COMPANY INC.**  
2462 Lakeshore Drive • Muskegon, Michigan  
BRANCHES IN LEADING CITIES



## CROSLLEY Announces big NEW models!

They're here—five new Crosley style leaders! New Crosley Sedan Deluxe is bigger! It's the latest word in American design. New speed-line styling, rich interior, choice fabrics. Seats 4 with ample luggage room. Crosley—the world's biggest-selling Station Wagon—has larger, longer body lines. All steel. No increase in price. New Crosley Convertible gets admiring glances wherever it goes. And smart Crosley trucks save money by the mile.

That's not all. Today's Crosley engine gives you even more power, even better hill climbing—even greater economy—35 to 50 miles on a gallon of regular gasoline. Smart enough for small incomes, inexpensive enough for high income tax brackets! Crosley gives you more for your money. Prices range downward from the Station Wagon at only \$929 F.O.B., Marion, Indiana.

**CROSLLEY**  
A FINE CAR

See all five models at your dealer's. Or write for free catalog—Crosley Motors, 2530-BC Spring Grove Ave., Cincinnati 14, Ohio.



# LABOR

## Lethargy on Taft-Hartley

Few businessmen are actively presenting their views on new labor law to the people or Congress, survey finds. One exception: General Electric ads take fight to grass-roots public.

Is it still possible to save any part of the Taft-Hartley act? A large part of management is assuming that the answer is "No."

• **No Use Fighting?**—The Democratic victory last November has been interpreted as a repudiation of the Taft-Hartley act. The Administration and the unions are going on that premise. And most employers apparently believe that: (1) The controversy is not really important any more; (2) the outcome is already determined; and (3) management can't help itself by carrying its views to the public.

These are the conclusions in a survey, just completed, by Fred Rudge, Inc.—one of the nation's top firms of public-relations consultants specializing in employee relations, they are borne out by an independent check made by BUSINESS WEEK.

For example: Businessmen were inclined to say that Congressional hearings were scheduled to close this week—and that committeemen's minds were already made up anyway. So, ran this argument, even if public opinion could be built up for a deliberate, impartial revision of the labor law, it would come too late.

• **On the Contrary**—Private expressions of opinion on Capitol Hill indicate, however, that management can still muster backing—and make it felt. There's a lot of debate ahead on controversial provisions of the Administration's labor-law proposals (BW—Feb. 5'49, p19). It's even possible that the proposed measure will be referred back to the committee for more hearings.

So far, Administration spokesmen and labor and pro-labor groups have done the biggest job in trying to get support in the T-H fight. With a few notable exceptions, management has been mute.

• **Survey**—The Rudge survey reached many business and industrial leaders throughout the country. It asked this question: What, if anything, are you doing about the current labor-law hearings? Are you letting Congress—and the public—know what management wants, and does not want, in a new federal labor law?

More than half said they were doing nothing. With the exception of a few companies like General Electric, man-

agement activities are concentrated in Washington or in the big industrial areas. They haven't reached very far into grass-roots sections—where unions have been particularly active.

Purposes of the survey were: (1) to persuade management to be more articulate on its own behalf; and (2) to get management to "encourage others, whatever their point of view, to give the benefit of their experience . . . to those working on the [labor-law] problem in Washington."

• **Suggestions**—As a result of its survey, the consulting firm is recommending that the individual businessman:

ENCOURAGE his employees to express their own opinions in letters to their congressmen.

PUBLISH his company's views about what makes for a sound labor law.

WRITE his congressman (1) to state his personal views and to cite specific instances from his experiences with the T-H and Wagner acts; and (2) to ask an opportunity to tell his individual experiences in person before congressional committees.

DISCUSS his opinions personally with congressmen in Washington.

SET UP meetings for 10 or 15 other business executives, to urge them to take the same steps.

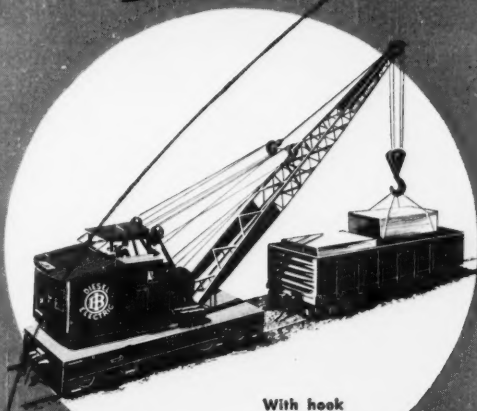
• **G.E. Ad**—So far, General Electric has done the most to broadcast its views. Ads in 77 newspapers in cities and towns where G.E. and its affiliates operate plants ask: "How would you revise our labor laws?" Readers are urged to check their views on 18 controversial points (page 78), and to send the ads to their congressmen.

The campaign started out with a routine company message to employees—one of a series on company policies, economics, current events, and "other subjects that are puzzling or troubling or controversial."

• **Wide Interest**—Ordinarily, such messages—prepared under the direction of Lennel R. Boulware, vice-president of G.E.—get limited publication as ads in a few plant-town papers. The initial response on the T-H questionnaire was considered so favorable, however, that insertions were extended to a full list of

# BROWNHOIST

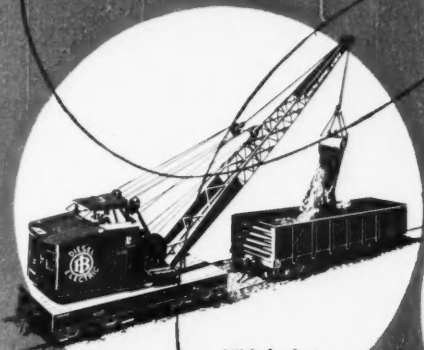
Let George do it!



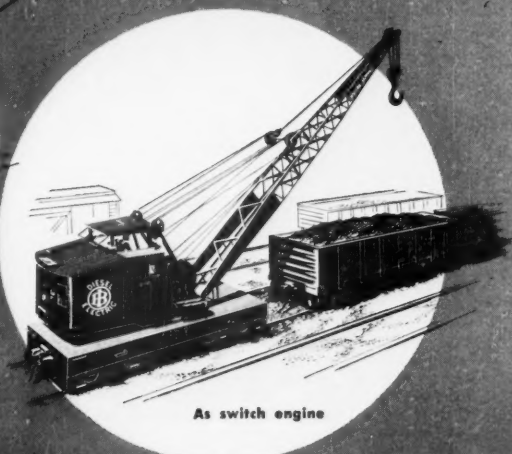
With hook



With magnet



With bucket

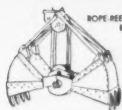


As switch engine

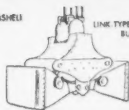
"Let Brownhoist do it" has become the slogan in more and more industries where there's a tough materials handling job to do. The reason is simple. The new Industrial Brownhoist Diesel Electric Locomotive-Crane is a most versatile worker - it performs equally well as a switch engine or as a crane operating with magnet, hook or bucket. Standard models available to meet every capacity requirement. D.E.-30, D.E.-50, D.E.-60. Plan to reduce your materials handling costs, today, with a Brownhoist Diesel Electric Locomotive-Crane. Write for complete particulars.

## BROWNHOIST

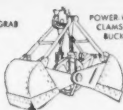
builds better cranes



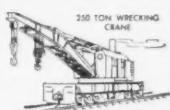
ROPE REEVE CLAMSHELL BUCKET



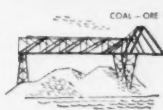
LINK TYPE ORE GRAB BUCKET



POWER WHEEL CLAMSHELL BUCKET



250 TON WRECKING CRANE



COAL - ORE BRIDGE

**INDUSTRIAL BROWNHOIST CORPORATION • SAY CITY, MICHIGAN**  
 DISTRICT OFFICES: New York, Philadelphia, Cleveland, Chicago. **AGENCIES:** Detroit, Birmingham, Houston, Los Angeles, Portland, San Francisco, Seattle, Spokane, Canadian Brownhoist Ltd., Montreal, Quebec.





**3,151 REASONS**

**WHY WABASH CAN PROMISE YOU SUPERIOR FREIGHT SERVICE**

Between now and 1951, Wabash Railroad will purchase or rebuild 3,151 freight cars of a variety of types—3,151 reasons why Wabash can promise you superior freight service.

**INCLUDED  
IN THE PROGRAM  
ARE 2,300  
BRAND NEW  
BOXCARS**

**HOPPER CARS,  
BOTH COVERED  
AND OPEN,  
ARE ALSO AN  
IMPORTANT PART  
OF THE PLAN**

Whether or not your freight originates on the Wabash, the strategic location of the Wabash in the "Heart of America" offers you finer freight service. Wabash "highballs" your freight between East and West... and serves you equally well between North and South.

*There's a Wabash freight representative near you. Phone him for details of how Wabash can best serve you.*

P. A. SPIEGELBERG  
Freight Traffic Manager  
St. Louis 1, Mo.

**WABASH RAILROAD**  
*Serving the Heart of America*

## How 'Would You Revise Our Labor Laws?

We Americans are about to re-examine—through our Congress—the fundamental laws regulating the relations of employees, unions, and management with each other and the public. We should be sure this examination is calm and deliberate. Any resulting revisions will be of vital interest to the whole public—to the some 15 million union members and the more than 45 million non-union workers, to union officials and management officials, to consumers and to citizens at large.

Despite any differing points of view, what all of us really seek are laws that are fair to employees, unions, and employers, and which adequately protect the public.

Let's check the following questions to see what are some of the individual ingredients you think should or should not be included in any law that would accomplish what we are all seeking:

1. Do you believe that labor laws should, in general, preserve the employer's right to strike? ☐ YES ☐ NO
2. Do you believe labor laws should give the President of the United States the right to seek through courts of law to delay a strike that would cause a national emergency endangering the health and safety of the entire country? ☐ YES ☐ NO
3. When two or more unions are fighting each other over who shall do a job or who shall represent the employees, and a strike is called to compel an employer to give to the members of one union the work or recognition being given to the other union—that is a jurisdictional strike. Should labor laws prohibit such strikes? ☐ YES ☐ NO
4. Should labor laws prohibit secondary boycotts—that is, prevent an employer and his employees, where there is no labor dispute, from being damaged by a union seeking to correct another employer having a labor dispute? ☐ YES ☐ NO
5. Should labor laws provide that an employer cannot deduct union dues or assessments from wages unless the employee gives his personal O.R.? ☐ YES ☐ NO
6. Do you believe labor laws should see to it that both employees and unions be required to bargain in good faith? ☐ YES ☐ NO
7. Should labor laws give to both employees and employers the freedom to express their own points of view on employee relations problems—provided such views, or arguments, or opinions do not promise violence or threaten reprisals? ☐ YES ☐ NO
8. Should labor laws protect the employee against unfair practices by unions and management? ☐ YES ☐ NO
9. Do you believe that labor laws should require both union officials and company officials to swear they are not communists or fascists or members of any party or organization which plans to overthrow the government of the United States by force and violence? ☐ YES ☐ NO
10. Do you believe labor laws should require unions to make appropriate reports to members and government as to handling of funds—just as companies are required to make appropriate reports to owners and government? ☐ YES ☐ NO
11. Should labor laws make it clear that a collective-bargaining contract must be honored by both parties? And that each has an equal right to sue the other for breaking the contract? ☐ YES ☐ NO
12. Do you believe labor laws should make it unlawful for a union to compel an employer to engage in featherbedding, that is, to pay money for work which hasn't been done or won't be done? ☐ YES ☐ NO
13. Should labor laws permit the firing of an employer to hire only workers who belong to a given union? ☐ YES ☐ NO
14. Do you believe it should be unlawful for an employer to be prevented from working by the use of violence, force, or intimidation? ☐ YES ☐ NO
15. Do you believe foremen and other supervisors could properly perform their management duties of serving the balanced best interests of employees, customers and owners alike, if bargaining for supervisors by unions should be included in the labor laws? ☐ YES ☐ NO
16. Do you believe labor laws should protect individual workers in the right to join or not to join a union—to remain or not to remain members—just as they individually wish? ☐ YES ☐ NO
17. Should labor laws make clear that both unions and employers can now so affect the public for good or ill that the labor-management relations of both should be regulated equally by law? ☐ YES ☐ NO
18. Should labor laws provide that a striker who has been replaced in the course of an economic strike—not involving any unfair labor practice—be permitted to vote in an election to choose a bargaining agent at the conclusion of the strike? ☐ YES ☐ NO

In the re-examination of the present labor laws and in making any revisions, we—as American citizens—must be concerned with guaranteeing equal rights between and among individuals and organizations, while striving to eliminate force, fear, hatred and ignorance from employee-management relations.

But we must meanwhile keep always in mind that no labor law can do more than provide a reasonably favorable climate for good employee-management relations. The accomplishment of those good relations must come from the will to try to spread the area of common interest and voluntary agreement.

In the exercise of your rights as a citizen in a Democracy who must send your Congressmen in Washington, D. C., to know your attitude—whether "for" or "against"—on each of the above questions and any others you may have in mind, if you wish, mark the "yes" or "no" boxes, add any comments, sign your name, address and occupation and mail to your Congressman over the week end. PLEASE DO NOT SEND TO THE GENERAL ELECTRIC COMPANY.

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
OCCUPATION \_\_\_\_\_

**GENERAL  ELECTRIC**

G.E. AD in 77 newspapers urges public to check labor-law likes and dislikes

77 papers. Reprints were sent to customers, editors, educators.

Several other newspapers requested permission to reproduce the ad, without charge. Several companies inquired about using G.E.'s ad over their own signatures. Moreover, the questions have been picked up for publication in newspaper editorial columns, and have been included in a syndicated daily news column.

G.E. hasn't estimated how many persons have been reached—and, because replies go directly to congressmen, there isn't any figure on how many people have answered and mailed the questionnaires. But, according to Boulware,

"an exceptional response" has resulted.

• **Another Type**—A newspaper ad addressed to A.F.L.'s William Green and C.I.O.'s Philip Murray appeared in several larger dailies. The National Small Business Men's Assn. ordered the insertions. The ad defended T-H against "slave labor law" complaints.

This ad is typical of scattered one-shot insertions by employers or their associations. Practically all reflect views expressed in recent statements by the United States Chamber of Commerce and the National Assn. of Manufacturers: that the T-H law is "a distinct improvement over the previous law"; that most of its provisions should be retained.



Photo by Pagano

## How do women make up their minds?

WITH ALL the wonderful things to pick and choose from, how does a woman make up her mind that *this* dress, *this* coat or *this* blouse is "just the thing"?

That may be somewhat of a mystery to the average man. But it's a fact that most women seem to have an unerring instinct for selecting merchandise that offers something new and something extra in the way of value.

Small wonder, then, that women everywhere are greeting with delight the new textile fabrics to which *extra* value has been added with special new resin treatments developed by Cyanamid's Textile Resin Department.

Woolens, for example, once allergic to soap and water, are now safely washable when treated with LANASET® Resin for wool shrinkage control. Cotton wrinkles, also, are rapidly becoming a thing of the past because SUPERSET® Finish actually springs cottons back to their freshly pressed smoothness. And rayons, cottons and woolens alike become durably spot and water resistant when finished with PERMEL® Water Repellent.

Thus are many age-old fabric problems solved. Similar progress is being made in many other in-

dustries, too, with the help of Cyanamid research, which is continually working to "mold the future through chemistry."

\* Reg. U. S. Pat. Off.



AMERICAN *Cyanamid* COMPANY

30 ROCKEFELLER PLAZA, NEW YORK 20, N. Y.

MOLDING THE FUTURE THROUGH CHEMISTRY

## BURDEN'S *Smart idea!*

**200 portholes "in the ocean floor" at Marine Studios attract 30,000 monthly!**

**GIANT SHARKS**, tarpon, porpoises, rays and tropical fish live together in two huge tanks at "the world's only oceanarium" at Marineland, Florida. Spectators view this colorful undersea world through more than 200 observation portholes placed in the sides and bottom of the 700,000-gallon capacity tanks. Because violent deaths are a frequent occurrence in the sea world, a special fleet of boats searches for new specimens continually. Douglas Burden, president of Marine Studios, says that a fleet of trucks is required to service boats, tanks, and concessions.



"BIG FEATURE OF THE OCEANARIUM," says Douglas Burden, "is the fact that it gives you the opportunity to see the dramatic and mysterious life of the undersea world approximately as it exists in the open sea. Marine life is not segregated by species, but placed together in the giant tanks containing a coral reef, sunken ship, etc."



"WE TRUCK OUR SEA WORLD SPECIMENS from as far away as Key West," Douglas Burden (right) tells Ford Dealer, Pitt Barnes. "Our new 145-horsepower Ford F-8 Big Job is just the ticket for long runs like that." Replies Dealer Barnes, "I see what you mean. Ford Trucks specialize on long runs of all kinds. They're Bonus Built to last longer, too. That goes for over 139 Ford Truck models, from the 145-horsepower Big Job down to the smallest Pickup. All of them are built with big reserves of strength."

## BURDEN'S *Smart bet!*

**FORD TRUCKS LAST LONGER!**

Using latest registration data  
on 5,444,000 trucks, life insurance experts prove Ford Trucks last longer!



**DIVER FEEDS A PORPOISE** by hand. These air-breathing, warm-blooded mammals, reputed to be the only captive porpoises in the world, are transported to Marine Studios by Ford Trucks from various points on the Florida coast.

## BURDEN'S *Smart move!*

**He uses Ford Bonus Built Trucks in his business. Smart Move! Smart Business!**



"THE 110 GALLONS per minute, handled by the Ford cooling system, sounds small alongside 8,000,000 gallons required daily for your tanks," says Barnes, "but it's one of the reasons why this 145-h.p. engine is tops in performance."

"WE'RE THOROUGHLY SOLD on this extra heavy-duty 2-speed axle," says Burden. "It gives us the speed and power we want . . . when we want it. Gas mileage in high axle range is amazingly good for this size truck."



## THE LABOR ANGLE

**W**ITHOUT INTENDING IT, we may have done Secretary of Labor Tobin an injustice in our last issue. We have had no complaint from Mr. Tobin. Nevertheless, we want to set the record perfectly straight. And then we want to make a complaint of our own.

In reporting on the Administration's new wage-hour bill we noted Tobin's testimony to the effect that raising the statutory wage minimum from 40¢ to 75¢ would affect only 1.5 million workers and increase the nation's wage bill less than 1% (BW—Feb. 5 '49, p. 84). We also noted that "he did not include in his estimate the amount industry, in order to maintain wage differentials, would have to pay to people earning more than 75¢."

Now what may be unfair is the impression which might be drawn from that sentence: that Tobin was holding out some important information. He wasn't. Tobin and his economists in the Dept. of Labor, along with government experts in other agencies, don't have the faintest idea how many people will have to have their wage rates adjusted in order to maintain established differentials when the statutory minimum goes up to 75¢. They don't even have enough data to make an estimate. Those data do not exist. And that is our complaint.

**B**USINESS WEEK SUSPECTS that the most important economic effect of boosting wages for 1.5 million employees who are presently paid at base hiring rates will not be the payroll increase for them, but the payroll adjustments above and around them.

No one disputes that a series of established wage relationships exists in American industry. Sometimes these relationships are not to be explained in logical terms. Sometimes they change. But over a wide area, they have very little flexibility; wages move together.

This phenomenon is readily apparent within a plant, an industry, or an area of employment covered by a union's jurisdiction. When the starting rate goes up, the rate for employees who have served out a probationary period must go up with it. Unless there is to be se-

rious distortion, the rate above that must also rise—and so on through the whole wage structure.

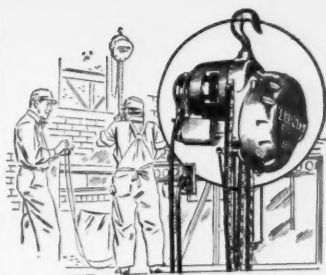
For instance, in Plant A, beginners are hired at 50¢ an hour, semi-experienced employees are rated at 65¢, and experienced hands get 80¢. If both the 50¢ and 65¢ get pushed up to 75¢ by statutory requirement, the employer must add a raise of his own to maintain the incentive represented by the differential for the semi-experienced hand. He must then add still another increase for experienced employees unless he is to junk his wage progression policy.

**B**UT THERE IS A SERIES of other important wage relationships which are not so plain to see. Here's a woodworking plant—and Tobin says a significant number of employees now earning less than 75¢ an hour are in woodworking—paying a starting rate of 60¢. Across the street a gray iron foundry has a starting rate of 80¢. What happens to the foundry's 80¢ when the woodworking plant's 60¢ becomes 75¢? Presumably the foundry needed the 20¢ differential to get its share of labor for less pleasant work. Presumably it will have to push its minimum up to 95¢—and adjust all its other scales to keep its own internal wage relationships in proper balance.

In addition to community wage relationships such as this, there are regional wage relationships and relationships among different industries which are even more obscure. But no one argues that they don't exist.

**W**HAT TOBIN GIVES US, in effect, is a view of the small part of the minimum-wage iceberg which is above the surface. What we want to know is what are the dimensions of that part of it which can't be so quickly sighted and measured.

Until that is known, any claim about the economic effect of raising minimum wages to any level will be utterly unrealistic. Under the circumstances one would wish that the Secretary of Labor would confine himself to a discussion of the social angles involved, and talk about cost only after he has some figures to present.



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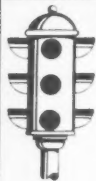
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## Pay Patterns Fade

Each industry's ability to pay may be key to 1949 wage boosts. In textiles and clothing, hikes are out right now.

Conditions in your own industry will set the tone of your wage negotiations this year. You'll talk less about nationwide patterns, more about whether your industry can afford a pay boost. That's the real meaning of pay developments in the textile, clothing, and shoe industries—among the first to turn soft.

• **Textiles Too Poor**—Three arbitration decisions (two against C.I.O., one against A.F.L.) have held that the textile industry can't afford another pay rise right now. The decisions affected 100,000 cotton and rayon workers (BW—Jan. 29 '49, p. 80) and another 100,000 in woolen and worsted mills.

In separate cases, arbitrators agreed that the seller's market is over for the textile industry. They expressed "grave doubt" that 1949 business would warrant 10¢-per-hour pay hikes—unless "past earnings are to be a determining factor." And they agreed that to base a current pay boost on past profits is "unsound" business.

• **Unions Accept**—The unions said they would accept the decisions, in accordance with terms of their contracts. But both warned they would file new wage demands in six months.

C.I.O. textile union head Emil Rieve protested against making arbitration "a matter of prophecy, rather than fact." And he said that his union feels that "the fashion of ruling out past profits as a basis for higher wages" is "disturbing."

Even though the unions are disappointed, they aren't now thinking about doing away with contract arbitration clauses. Before the recent setbacks, arbitration had netted them a series of pro-union awards.

• **Clothing Hikes Delayed**—In a large segment of the clothing industry also, wage reopenings have been delayed indefinitely. C.I.O.'s Amalgamated Clothing Workers of America will leave it up to a special committee to decide whether the union should ask for fourth-round raises—and when (BW—Feb. 5 '49, p. 92).

• **Shoes Cut**—An arbitrator ruled, some time ago, that the softening shoe industry couldn't afford a 1949 wage hike. This week, 25,000 union shoe workers took a 3¢ cost-of-living pay cut without protest. The reduction came automatically under an International Shoe Co. contract with A.F.L., C.I.O., and independent unions. It resulted from a drop in the BLS consumers' price index to 172.2 in November.



## New Committeeman

Sen. Garrett L. Withers, latest freshman appointee to the Senate Labor & Public Welfare Committee, is a former coal miner. Unions liked his attitude while he was Kentucky State Highway Commissioner. And—like other new members of the key committee (BW—Jan. 29 '49, p. 78)—he's regarded as a good Democratic party man.

As far as labor is concerned, Withers is a logical addition to the newly New Dealish labor committee.

Withers, 64, is from Dixon, in western Kentucky. He was raised on a farm, went from there to the coal mines, later became an attorney. He practiced law for almost 40 years; bulk of his practice was for corporations. He got his Senate job by gubernatorial appointment as successor to Vice-President Alben Barkley.

## Kennecott Copper Strike Ends After Three Months

For three months a strike of 311 mine railroad employees has strangled the entire Utah division of Kennecott Copper Co. It shut off about 30% of the nation's entire copper production—threatening both government and private industry reserves.

• **Same Terms**—This week, the 15-week strike ended—and on almost the same terms that federal conciliators sought at the start. Kennecott and the Brotherhood of Locomotive Firemen & Enginemen agreed to refer the one big issue to a fact-finding panel. The three-man board will be limited to investigating the dispute, and making recommendations for settling it. Neither party will be bound to accept them.

The 311 mine railroad workers struck last Oct. 24 in an "equal pay for equal work" dispute (BW—Nov. 13 '48, p. 109). They claimed that crews on a line into





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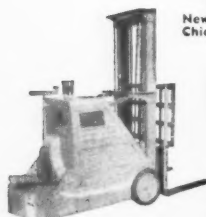
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the mine are paid less than others working on Kennecott's "low run" to Magna-Garfield concentrating and refining mills. About 6,000 workers in 12 other unions quit rather than cross B.L.F.&E. picket lines.

• **Job Evaluation**—Kennecott contended that the mine division crewmen have been classed as production workers for 27 years. It offered to submit to a complete job evaluation program, covering all of its workers, to decide whether mine division crewmen should be reclassified. The union countered with an offer to submit the issue to arbitration.

Mediators last week got company and union together on the fact-finding arrangement.

## LABOR BRIEFS

C.I.O. auto workers will build up steam behind the fourth-round wage drive in talks this week with Ford of Canada. Same demands as in U.S. (BW—Jan. 22 '49, p. 19). U.A.W. president Walter Reuther touched off the Canadian drive by asking employers to give 5% of pay-rolls to welfare program.

• **Low injury rate**—0.72 per million man-hours worked—was achieved in 1948 by 76,000 workers in 100 du Pont plants and labs. Previous record: 0.91 in 1947.

• **John L. Lewis** has just been elected to his 14th term as president of the United Mine Workers. The vote: 286,450 to 0.

• **Money-saving idea** by a Westinghouse East Pittsburgh worker has netted him \$5,085. He told, in 17 words, how mica sheets can be made by machine quicker than by hand. In all, company paid out \$57,209 for 5,027 ideas last year.

• **Mergenthaler Linotype** has upped wages of 2,200 C.I.O. employees by 13¢ per hour.

• **Dollars for P.A.C.** will be sought as "voluntary contributions" from the 6-million members claimed by the C.I.O. Object: a 1949 election campaign fund.

• **Women workers** make up about 27% of the nation's total labor force. About 16-million are listed as employed in latest Dept. of Labor figures.

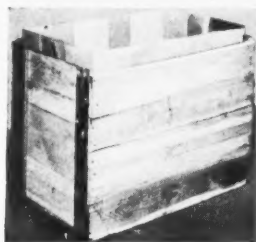
• **Southern Bell** has agreed on what amounts to an 8.6¢-per-hour raise in negotiations covering 44,000 employees in nine states. They're represented by the independent Communications Workers of America.



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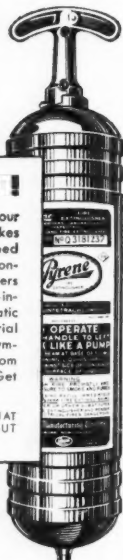
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# FINANCE

## Uphill Ride to Rail Profits

Gross revenues for 1948 set new peak of \$9.6-billion. But  
it takes a lot more money to show profit than it did 20 years ago.  
Main stumbling blocks: high costs, competition, business outlook.

If you take a quick look at the rail-  
roads' 1948 performance, what will  
strike you first will be its pretty facade.  
It looks all marble and a couple of stories  
high. If you want to see what really  
happened, you have to go all around the  
building.

• **High Score**—But the facade does look  
good. Take last year's operating per-  
formance of the Class I roads (those  
with over \$1-million of annual oper-  
ating revenues), for example. While all  
the figures aren't in yet, here's the way  
the group's 1948 score appears to  
shape up:

**Gross Revenues.** These shot 10%  
from 1947 levels to around \$9.6-billion,  
a new peak. That figure is (1) some  
\$200-million greater than the previous  
high set in 1944, the rails' busiest war-  
time year; (2) more than 1½ times the  
total the same roads rang up back in  
historic 1929.

**Net Income.** Profits after all taxes  
and charges probably came to some  
\$700-million. Although not a record  
breaker, that's a respectable figure. Only  
twice since 1929 (1942 and 1943, when  
they hit \$902-million and \$874-million)  
have earnings been higher. Even in the  
1920-29 golden decade, the yearly net  
of the Class I carriers averaged only  
some \$600-million.

Preliminary 1948 earnings reports  
from some individual roads are very  
rosy. Revenues of several lines were  
just about twice as big as in 1929. And  
a considerably bigger number reported  
profits well above 1929 levels (box, be-  
low)—even though profits for all Class I  
roads are estimated to have dropped  
22% in the 20-year period.

• **Cracks Showing**—So far, good. The  
view from the front is fine. But the  
minute you get around the corner, you  
can spot strains and cracks. In the

## Railroad Earnings—Then and Now

	Gross Revenues			Net Income			Profit: % of Gross		
	1929	1947	1948	1929	1947	1948	1929	1947	1948
A., T. & Santa Fe.....	\$267.2	\$462.7	\$526.7	\$61.0	\$47.7	\$62.8	22.8%	10.3%	11.9%
Atlantic Coast Line.....	72.4	128.4	136.3	11.9	6.0	7.7	16.4	4.7	5.7
Balto. & Ohio.....	245.4	360.3	400.2	28.8	9.3	22.2	11.8	2.6	5.0
Ches. & Ohio.....	199.1 <sup>1</sup>	313.0	334.6	44.0 <sup>1</sup>	35.4	29.8 <sup>1</sup>	22.1 <sup>1</sup>	11.3	10.8 <sup>1</sup>
Chi., Burl. & Quincy.....	162.4	221.2	241.4	29.6	27.7	28.1	18.2	12.5	11.6
Milwaukee Road.....	171.4	231.5	255.0	7.1	6.7	4.9	4.1	2.9	1.9
Chi. & North Western.....	154.7	176.3	195.0	15.6	6.1	7.9	10.1	3.5	4.1
Erie.....	129.2	152.1	175.1	11.7	6.5	4.3	9.1	4.3	8.1
Great Northern.....	125.9	193.8	216.3	32.5 <sup>1</sup>	23.8 <sup>1</sup>	27.2 <sup>1</sup>	25.8 <sup>1</sup>	12.3 <sup>1</sup>	12.6 <sup>1</sup>
Illinois Central.....	181.0	242.2	268.2	13.5	15.0	20.9	7.4	6.2	7.8
Kansas City Southern.....	22.0	35.2	41.6	3.9	5.8	8.7	17.7	16.5	20.9
Louisville & Nash.....	132.1	189.7	207.3	13.7	13.3	18.5	10.4	7.0	8.9
Mo.-Kan.-Texas.....	50.0	68.8	83.3	8.5	2.8	6.5	15.2	4.1	6.5
Missouri Pacific.....	139.8	199.6	221.0	12.2	8.3	13.0	8.7	4.2	5.9
N. Y. Central.....	590.0	703.3	779.9	77.4	2.3	14.7	13.1	0.3	1.9
N. Y., Chi. & St. L.....	56.4	92.5	109.5	7.4	8.2	15.4	13.1	8.9	14.1
N. Y., N. H. & Hartford.....	147.5	155.8	171.4	21.8	1.9 <sup>1</sup>	5.8	15.3	.....	3.4 <sup>1</sup>
Norfolk & Western.....	117.6	165.9	185.5	41.9	32.3	35.7	35.6	19.5	19.2
Northern Pacific.....	96.5	142.6	157.2	21.8	13.4	12.3	22.6	9.4	7.8
Pennsylvania.....	682.7	903.3	999.9	97.9	7.3	34.4	14.3	0.8	3.4
Southern Pacific.....	310.9	529.0	587.5	47.4	35.5	43.8	15.2	6.7	7.5
Southern Ry.....	143.2	222.8	245.0	18.1	11.9	19.2	12.6	5.3	7.8
Texas & Pacific.....	45.7	64.7	78.0	6.1	5.5	7.0	13.3	8.5	8.8
Union Pacific.....	217.4	410.1	437.6	49.3 <sup>1</sup>	54.4 <sup>1</sup>	67.3 <sup>1</sup>	22.7	13.4	15.4
Virginian Ry.....	19.9	36.6	38.1	5.8	7.3	7.0	29.1	19.9	18.4

<sup>1</sup>C. & O. and Pere Marquette combined.

<sup>2</sup>Ratio of gross and net ry. oper. income.

<sup>3</sup>Before charges pertaining to previous years' taxes.

<sup>4</sup>Deficit.

<sup>5</sup>After deduction of \$6.5-million for adjust-

ing prior years' income taxes.

<sup>6</sup>Net ry. oper. income.

<sup>7</sup>Investment income.

<sup>8</sup>Investment income provided income (before taxes) of \$17-million

in 1947, \$26.5-million in 1948.

months ahead, these could broaden so much that profit margins could be drained practically dry.

Some of the most serious potential danger points are:

(1) The trend of rail operating costs;  
(2) The sharp postwar climb in freight rates;

(3) The rails' vulnerability to even a moderate decline in general business activity.

According to the Assn. of American Railroads, the rail industry is now paying 118% more for the materials, supplies, and fuel it needs than it paid in 1939. Taxes are also running some 177% higher than 10 years ago.

• **Stumbling Block**—Toughest cost out of all for rail officials to crack is the uprush of wages. Wage hike has been following wage hike in recent years. By now, the payroll is chewing up at least half of every revenue dollar the roads are taking in. In 1944, it swallowed less than 41%. In 1941, only 39.3% of all revenues went out in wages.

Last year, wages zoomed beyond the \$4.7-billion mark, to their highest level on record. That's \$400-million higher than the payroll bill for 1947, when there were 25,000 more employees; it's almost \$900-million more than in 1945, when there were 95,000 more workers; almost \$2-billion more than in 1929, when 334,000 more were employed.

• **More Raises?**—And rail officials find little comfort in the immediate wage outlook. A presidential fact-finding board recently recommended that, beginning Sept. 1, 1949, the rails' nonoperating employees (1) should be placed on a 40-hour week (at present they are on a 48-hour week); and (2) should get a 20% wage increase to keep their take-home pay up where it is now. If the industry executives agree to this change—and it's hard to see how they can duck it—it will probably add another \$500-million to the annual wage bill.

• **Counterattack**—One way to offset all these added costs, of course, is through rate boosts.

Railroad men haven't overlooked this main avenue of escape. Every time they have had to up wage scales lately, they have asked for higher freight rates. And while they haven't won all they have asked for they haven't done at all badly.

Since mid-1946, the Interstate Commerce Commission has approved seven freight-rate hikes. If the roads used these to full capacity, they could step up rates about 50% above their mid-1946 levels. Passenger fares, too, are up quite sharply percentage-wise. And if the commission approves in toto a rate case now pending, existing freight tariffs could go up another 8%.

• **Competition**—But you can't divorce the rate question from competition. That's not just competition among rail-

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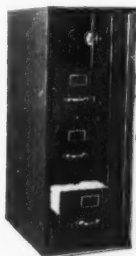
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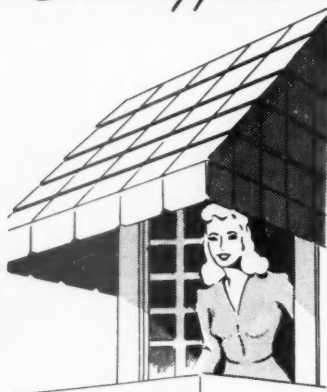
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Thinsteel may be your answer, too. One of the new and exclusive stainless Thinsteel products is bright annealed 18-8 and other chrome-nickel grades that can substantially reduce finishing and polishing costs. We'll be glad to furnish samples. A request on your letter-head will send yours on its way today.

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roads; it's competition with other types of carriers.

To many railroad men, it's an open question whether the recent rate increases haven't taken them a long step toward pricing themselves out of business. For, as the ICC recently pointed out: "Rate increases may be carried to the point where they are largely self-defeating."

During the war years, the rails carried a much bigger share of available traffic than their competitors. Prewar, the traffic trend was working against the railroads. Now it looks as though the pattern is shifting to its prewar status.

Thus, the Bureau of Railway Economics estimates that last year the rails moved only 64.3% of total 1948 intercity ton-miles vs. 72.7% in 1944.

Other things have hit the rails where the competition hurts. One is the unequal increases in rates among commodities and territories. Another is that trucks are hauling more types of traffic. Tonnage shipments of iron and steel carried by trucks are said to have shot up 39% above 1947 levels in November of last year.

• **Troubled Ground**—As long as traffic keeps to high levels, all the competition doesn't show up much, on the surface. But even now, if you dig a bit, you run into rocky ground.

Compare some 1929 and 1948 profit margins, for example—and note how these have slimmed out. Strategic location, basic wealth, and good management aren't enough to offset today's heavy cost burdens. You can see this if you take the cases of the Santa Fe and Norfolk & Western.

• **Uphill Work**—It's quite true that in 1948 the Santa Fe could boast of earnings greater than in 1929—\$1.8-million more, in fact. But that gain cost a lot of money; it took almost \$260-million of added revenues to get it. In 1929, net profits were 14.3% of gross revenues; in 1948, the figure was 7.3%.

Norfolk & Western last year converted 19.2% of its gross into net income; in 1929, it showed a net of 35.6%. So, although from 1929 to 1948 it scored an increase in gross of almost \$68-million, net income during that time dropped \$6.2-million.

Some of the eastern giants have been pinched even worse. Last year, the Pennsy turned up earnings of \$54.4-million, though its gross came to almost \$1-billion. Gone are the days of 1929, when on operating revenues of less than \$683-million it could report net income of \$98-million.

• **Biggest Test**—In 1949, the biggest threat to rail gross and profits will be the trend of general business activity. Since operating costs run so high, a relatively small sag in operating revenues could make a considerable dent. One authoritative Wall Street source esti-

mates that a 10% drop in revenues might drag total net income of Class I roads down to \$400-million, 40% below 1948's level.

This year has got off to a slow start on carloadings. Last month's earnings may be even less than those of a year ago—and Class I roads weren't exactly boasting of their January, 1948, profits.

• **Backbone**—Businessmen would be smart to keep more than a casual eye on the rail picture. The railroad trade is still a pretty big bone in the economic skeleton. When as vital a spot as that is hurt, other parts of the economy are bound to feel it.

Life insurance policyholders, for one group, would suffer from rail ills. Holdings of rail issues comprised some 5.4% of all the \$55-billion-plus of life company assets at the 1948 year end.

The rails have lost plenty of traffic to other carriers since World War I. Even so, they still handle more than half of all the nation's normal freight tonnage (measured in ton-miles). And World War II demonstrated clearly that they are still the kingpin of our transportation system.

• **Big Business**—After all, the roads operate a property valued at some \$27-billion. If you need a gage of their im-



## Young Camera Boss

The camera-manufacturing field had another candidate last week for the youngest chief executive in the business. He is Robert E. Brockway, 25 (left), who succeeds his late father as president of American Bolex Co., Inc. The company imports, manufactures, and distributes home-movie equipment. Although retail camera sales in general are declining, Brockway predicts that his company's 1949 sales will top 1948's. His first move as president was to streamline his company's marketing system. Bell & Howell, Inc., camera maker, recently elected C. H. Percy, 29, as president (BW—Jan. 22 '49, p. 98).

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Locomotive  
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## Why Koppers Scuttled the Steamers

Like hundreds of other big industrial companies, Koppers had been operating a fleet of steam powered locomotive cranes that were many, many years old. Taking a shrewd look at costs, they found such facts as these:

A steamer burns about a ton of coal a day—say \$9 worth; a new AMERICAN Diesel burns \$1.80 worth of oil, *to do more work, faster!* A steamer needs a boiler washout every Sunday—with labor at double time; an AMERICAN Diesel doesn't. A steamer needs an operator and a fireman; an AMERICAN Diesel needs only the operator. A steamer needs to be fired up in the morning, banked at night—on overtime; an AMERICAN Diesel doesn't.

As to speed, ease of operation, design features and maintenance costs, the differences between old steam cranes and new AMERICAN Diesels were even more dramatic, of course. But Koppers could have disregarded these entirely. They could well have afforded to buy a fleet of new AMERICAN Diesels with the savings to be made *on operating costs alone*. And the order was accordingly written.

If antique cranes are eating holes in your budget, why not make the same check-up, and comparison? Just mail the coupon below, and we'll send you interesting literature describing AMERICAN Locomotive Cranes—gasoline powered, diesel powered, and the great DIESELECTRIC.

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portance to the economy, here are three markers: (1) They employ over 1.3-million workers; (2) they consume about 20% of the national output of soft coal; and (3) in the list of customers of the steel industry they are still the third largest.

## State Budgets Up

Governors of three eastern industrial states ask for new taxes to meet record budgets for postponed work.

Governors of three industrial eastern states last week asked for record budgets—and new taxes. That comes as no surprise (BW—Jan. 15 '49, p. 80). For one thing, normal costs have been going up. For another, the states have to do something soon about a lot of postponed maintenance and new construction.

• **The Figures**—Gov. Thomas E. Dewey asked the New York legislature for \$936-million for the 1949-50 fiscal year. Pennsylvania's Gov. James Duff proposed a \$1-billion budget to cover operations for the next two years. And Connecticut's newly elected Gov. Chester Bowles wants about \$258-million for the next two years. Bowles also called for bond issues totaling \$60-million for school and institutional construction.

Here's how the governors plan to get the money:

• **Restoring Cut**—Dewey wants to restore all of the long-standing cut in the personal income tax rate. Last year the cut was reduced from 50% to 40%. He estimates that would bring in an extra \$114-million. A boost in the corporate franchise tax from 4½% to 5½% of net income will yield about \$33-million. A gasoline tax jump from 4¢ to 5¢ a gallon would bring in about \$21-million more.

Duff called for only one tax change—a boost in the gasoline tax from 4¢ to 5¢. He figures that would bring in \$40-million over the next two years. About \$321-million will come from the gas tax at its present level. About \$250-million will come from corporation taxes, \$164-million from beer and liquor taxes.

• **Income Tax**—Bowles wants a state income tax, thinks it will bring in about \$27-million annually. He sugared the pill by pointing out that Connecticut residents who work in New York could credit their Connecticut income tax against the New York one. Bowles also asked the legislature to boost the corporation tax from 3% to 4%. The governor wants to abolish the 1% sales levy, which was scheduled to rise to 2% in July.

## FINANCE BRIEFS

American Tel. & Tel. may soon launch another huge financing operation. Wall Street thinks it may be the offering of some \$200-million to \$400-million of new debentures and/or stock.

American Broadcasting Co. president Mark Woods has again denied that control of ABC has been sold to "Hollywood interests." He adds that no negotiations leading to a change in ownership are on the fire.

The New York Curb on Feb. 14 will raise its commission rates for the first time since May, 1942. Last week some 74% of its members O.K.'d a rate hike of about 13%. Last year, the Curb says, its income failed to meet expenses by about \$80,000.

New corporate securities sold publicly last month totaled some \$260-million. Some 70% of such offerings were in bonds and notes; about 90% was made up of "new money" issues.

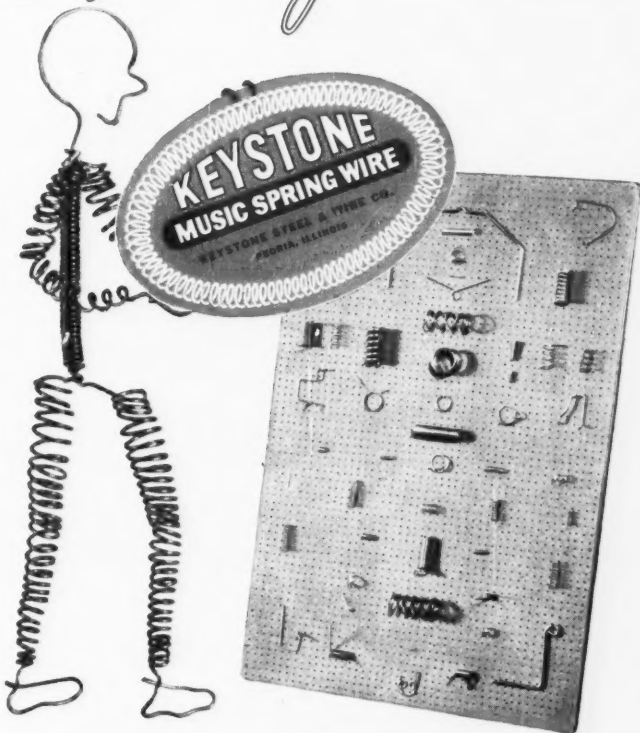
Transcontinental & Western Air, Inc., will soon raise new capital by selling 404,112 shares of new common to stockholders. Howard Hughes' Hughes Tool Co., the line's dominating interest, has agreed to buy all the new shares it's entitled to (about 75% of the offering). And a Wall Street investment banking group will buy any part of the rest which other stockholders turn down.

Columbia Broadcasting System earnings dropped to around \$5-million in 1948, some \$900,000 under 1947 levels. CBS will make stockholders bear part of this drop. The quarterly dividend to be paid on its A and B stock in March will be only 35¢, as against the usual 50¢. CBS, which recently arranged a \$15-million, 3½% loan with Prudential Life, explains that it must conserve cash to take care of its television capital requirements.

Life insurance officials may soon have to step up the defense of their business. House and Senate resolutions asking for a congressional look at the trade's influence on the national economy are expected soon. Also, several regulatory bills are brewing in the New York State legislature.

Central Hanover Bank & Trust Co., New York, has added to its advisory staff a consultant in the field of philanthropy. His job: to advise clients "interested in wise public giving."

# MUSIC Spring Wire



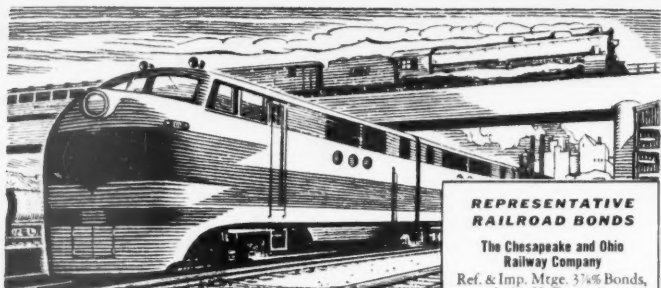
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First & Ref. Mtge. Bonds,  
2½%, Due 1970

**Reading Company**  
Ref. Mtge. 3½% Bonds,  
Series D, Due 1995

**Southern Pacific Railroad Company**  
First Mtge. Bonds, 2½%,  
Series F, Due 1996

**The Texas and Pacific Railway Co.**  
Gen'l. & Ref. Mtge. 3½% Bonds,  
Series E, Due 1985

**Union Pacific Railroad Company**  
Ref. Mtge. Bonds, Series C,  
2½%, Due 1991

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## Cuttle's Campaign

Lone Kaiser-Frazer stockholder uses newspaper advertisements to launch a drive for K-F. dividends.

A retired Marine Corps colonel is staging a one-man offensive to get Kaiser-Frazer Corp. to pay dividends.

• **50 Ads**—The weapon he's using in his bold frontal attack is newspaper advertising. The ads appeared recently in about 50 papers across the country. They asked K-F. stockholders "who want to join others in demanding that the company pay dividends" to get in touch with Lt. Col. K. O. Cuttle, of Long Beach, Calif. A lot of them have.

As soon as a stockholder replies, the colonel sends him a form letter. It simply asks the stockholder to send him proxies for voting at the annual meeting in May. He says that he started his campaign "all by my lonesome" and that he owns 1,200 shares of K-F. There are now 4,564,000 shares outstanding.

• **Small Chance**—The colonel has no chance of capturing this beachhead—at least not in the near future. K-F. has been putting its earnings into new facilities and equipment. It is buying its huge Willow Run plant from War Assets Administration on the installment plan (BW—Dec. 11 '48, p. 25). It has spent considerable cash buying steel mills (BW—Nov. 27 '48, p. 20). The company has never paid dividends.

Besides, it's obvious that K-F. must build up a cash reserve against contingencies. The company would have to have cash in case supplier or primary-plant strikes forced a shutdown, or in case demand fell off. Then it has bank loans to consider. Recently these added up to \$10-million.

• **No Notice**—K-F. has taken no official notice of Cuttle's campaign. The company has announced that it built about 182,000 cars in 1948 and earned a profit before taxes of about \$18-million. Audited figures will not be out for several weeks. Published nine-months figures showed income of \$84-million after taxes, \$14.1-million before taxes.

**The Pictures**—Acme—82; Good-year Tire & Rubber Co.—62; Harris & Ewing—21 (right), 25; Hewitt-Robins, Inc.—57 (bot.); Jeffrey Mfg. Co.—57 (top); Link-Belt Co.—51 (top); McGraw-Hill World News—104; Sovfoto—101; U. S. Rubber Co.—60; Wide World—21 (left), 36.

### Free Booklet

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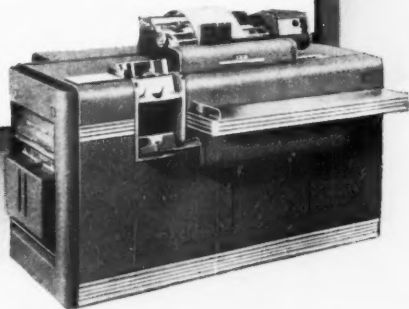
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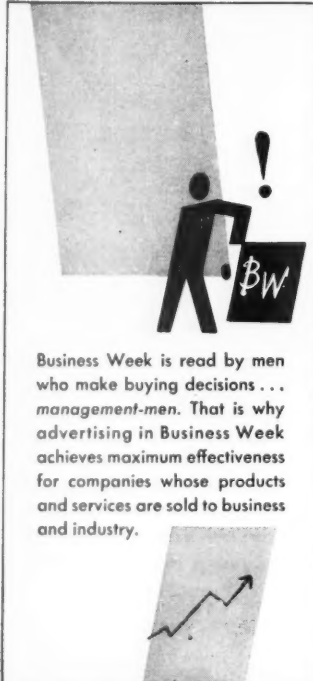


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# THE MARKETS

## Stocks and Commodities Near 1948-49 Lows

Stock prices (Dow-Jones)	High	1948-49 Low	1948 Close	Now
Industrials .....	193.16	165.39	177.30	173.71
Rails .....	64.95	48.13	52.86	49.90
Utilities .....	36.04	31.65	33.55	34.30

## Commodity prices

Spot price index (28 commodities)	353.7	269.4	295.6	269.4
Domestic .....	395.6	275.3	313.8	275.3
Imports .....	298.5	260.7	269.5	260.7
Industrial .....	288.3	267.2	279.1	271.7
Farm .....	426.0	276.7	311.3	276.7
Corn (bu.) .....	\$2.80	\$1.129	\$1.475	\$1.129
Cotton (lb.) .....	.386	.307	.323	.318
Hogs (cwt.) .....	31.20	20.00	21.500	20.00
Steer (cwt.) .....	36.652	21.500	28.00	21.500
Wheat (bu.) .....	3.065	2.064	2.245	2.078
Foods .....	458.0	276.6	326.7	276.6
Butter (lb.) .....	\$0.885	\$0.572	\$0.659	\$0.618
Cocoa beans (lb.) .....	.462	.215	.302	.215
Coffee (lb.) .....	.285	.260	.270	.270
Cottonseed oil (lb.) .....	.410	.140	.190	.140
Lard (lb.) .....	.290	.115	.160	.115

## Prices: Forecasting What?

Commodity-price break threatens inventory troubles, puts pressure on wholesalers. Along with the stock-market sag, it reflects jitters over the business situation.

The markets this week were worrying about business. At the same time, they were giving business something to worry about.

You could see the worries over business in the nervous spill that the stock market took. They were reflected, too, in the collapse of commodity prices.

• **Turnabout**—And the drop in commodities provides the problem for com-

panies with large raw-material inventories—if they haven't been playing pretty safe on reserves.

More than that, lower prices in the primary markets will put additional pressure on the wholesale-price structure. Wholesale prices have been slow to reflect the earlier markdowns in the spot list (BW—Jan. 22 '49, p102). Now they have just that much more of a shakedown in store for them.

• **Anniversary**—This is the third year in a row that spot prices have broken at about this time. And the break comes almost to the day on the anniversary of the 1948 spill. As in 1948, grains have taken a bad beating. But they aren't the only ones. A long list of other commodities have cracked too (table).

• **What Dropped**—Fats and oils have been among the worst sufferers this time. Lard is down to 11½¢ a lb. That's well under the old OPA ceiling. At the end of 1948 the price was 16¢, and at the high last year it hit 29¢.

Cottonseed oil is 14¢ a lb. now. At

### Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
<b>Stocks</b>				
Industrial	144.5	151.3	153.4	136.0
Railroad	40.3	42.5	43.4	40.8
Utility	68.9	69.6	68.4	65.3
<b>Bonds</b>				
Industrial	97.1	96.8	95.3	94.4
Railroad	87.3	87.6	85.7	82.5
Utility	94.8	94.0	93.6	96.2

Data: Standard & Poor's Corp.



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## Easy on the Eyes with High Vacuum

● During the war, planes jockeyed to attack out of the sun — battleships maneuvered to get the sun at their backs. The sun glare impairing vision, and accuracy of optical instruments made them a poor target for the enemy.

Counter strategy developed telescopic sights, range finders, and aerial cameras whose lenses were coated under high vacuum with transparent fluoride salts. Thus treated lens surfaces were less reflective, more light was admitted, instruments could work better against the sun.

Improving aviators' sunglasses presented a different problem. Here the same high-vacuum process was used, but the coating must

serve to cut down passage of light through the lens. Experiments disclosed stainless steel as the ideal material.

The process has been adopted for commercial use. At Bausch & Lomb, in the chamber of a DPI high-vacuum coater, metallic vapor of stainless steel is deposited in a scientifically controlled "gradient" pattern of density and area. These stainless steel coated sunglasses are now available at optometrists.

This is but one of many applications of high vacuum in science and industry to make improved products at lower cost.

Do you know what high-vacuum distillation, dehydration or fusion may do to improve your products—to decrease processing costs, or to salvage waste materials into valuable commodities? DPI research men and engineers may be able to tell you. Write

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the peak it hit 41¢. It's worth remembering that both lard and cottonseed oil are byproducts. They don't benefit directly from government support programs. And they get the full kickback of the big production that high prices for the primary product bring out.

Cocoa beans have taken one of the sharpest drops of all in the last few weeks. Late in 1948 they were still selling at 41¢ a lb., against a high of 46.2¢. Now they have dived to 21½¢.

Hogs and steers have taken a bad bump, even though it is far too early for the big 1948 grain crops to make any difference in the meat supply. Feeders are pushing their animals onto market, fearing lower prices later. And packers are playing safe and refusing to build up storage stocks.

• **For Farmers Only**—In the grain markets, traders have learned—at some expense—that the government price-support program is designed to protect the farmers, not the speculators (page 9). The Dept. of Agriculture's loan program for wheat and corn applies only to grain that still is in the farmer's hands. It affects the terminal markets only indirectly—by limiting the supply that gets to the traders. (Relief buying for Europe does give the terminal markets a boost, of course.)

Cash corn at about \$1.13 a bu. is way below the loan level of \$1.58. Kansas City wheat at \$2.078 a bu. is about 17¢ under the peg. In futures trading, the gaps are even wider.

• **Back on Base**—If you look at the Bureau of Labor Statistics spot-price indexes, you will see something that may prove highly significant. The farm and food groups now have come back almost

exactly on a level with the industrial-commodity prices. In other words, the three groups have fallen back into the same relationship that obtained in August, 1939, the base date for the indexes.

At its peak, (in January, 1948), the farm index was up to 426. Foods got to 458. The high point for the industrials was only 296.7, in December, 1947. But, since then, the industrials have held up while the farm-and-food groups have come crashing down. This could mean that farm-and-food commodities are now about where they should be—that they don't have to worry about much more liquidation. It also could mean that the margin of safety that has protected industrial commodities in the past year is all used up now.

• **Market Reaction**—The violent shake-out in the commodity markets undoubtedly has had something to do with the trouble the stock market has been having in the past week. Brokers report that some of their clients have been selling stocks to get margin money for their commodity lines.

But Wall Street doesn't think that all the stock market's weakness is a sympathetic reaction. Traders are getting more and more worried about the dangers of a business slump.

• **Danger Point?**—The Dow-Jones industrials have now broken through the 178 level, which technicians rated as a fairly important downside resistance point. The rails are dangerously close to their 1948 low. Volume has shown a tendency to pick up on the declines and slack off on the rallies. All these are bad signs.

## "We, the People" Report Big Profits

Plenty of security and commodity brokerage houses have been crying into their towels over 1948 business. But there have been no distress rockets from the nation's largest brokerage firm—Merrill Lynch, Pierce, Fenner & Beane. Last week, "We, the People," as Wall St. calls it, reported that its profits after taxes and other charges last year shot to \$1.7-million—way out front of 1947's \$660,000 net.

• **"The People's" Profit**—Before the giant firm (2,900 workers, 93 partners) figured its profits, it took out \$1-million for employee profit-sharing and bonus payments.

Gross income from the firm's operations totaled almost \$22.4-million, some 20% larger than in 1947. That figure breaks down like this: from commissions earned on the purchase and sale of listed securities, 61.24% of total income; from commissions on commodity transactions handled for customers, 16.69%; off-board trading and under-

writing commissions, 12.89%; interest and miscellaneous items, 9.18%.

• **Border to Border**—For Merrill Lynch, the whole country is Wall Street. Its 98 branches pop up in 96 cities from coast to coast, border to border. It has 172,000 active customers on its books, holds 92 memberships on 41 widely scattered organized exchanges.

Hence it gets its security and commission take from all over. Last year, 17.7% of such income came from its western customers; 20.5% from the Midwest; 17% from the South Central area; 22.1% from the Southeast; 22.7% from the Northeast.

At the 1948 year end, the firm had a whopping \$15.5-million of capital funds, the largest in its history, plus assets of over \$141-million. Last year it handled 9.4% of the New York Stock Exchange's round-lot volume; 12.9% of its odd-lot volume, and a sizeable slice of the business transacted on many other exchanges.

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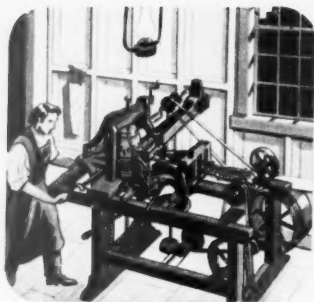
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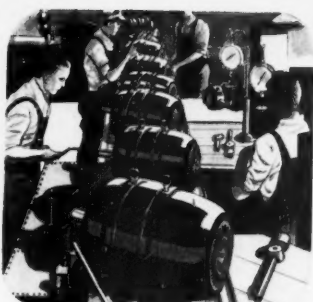




**1 1865**—Here's how machines looked before man applied electricity for industrial usage. Gear setups were crude. Making parts fit was a matter of luck and plenty of tinkering by operators.



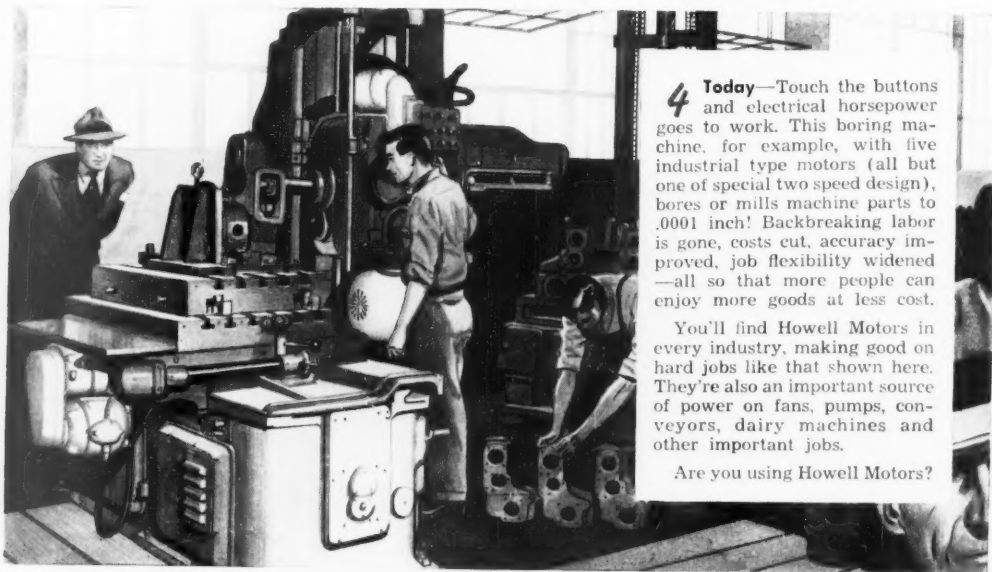
**2 1907**—Electrical horsepower gave production a big boost. But gear mechanisms were far too cumbersome. Repairs were frequent. Men were still struggling to make one motor do the work of many...



**3 1915**—Howell "Red Band" Electric Motors arrived. These rugged, industrial type motors were specially designed to withstand hard usage. Soon, Howell Motors appeared in this and other industries.

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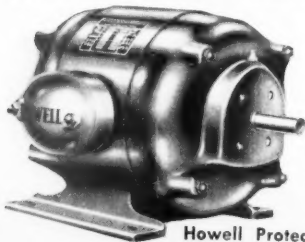
**4 Today**—Touch the buttons and electrical horsepower goes to work. This boring machine, for example, with five industrial type motors (all but one of special two speed design), bores or mills machine parts to .0001 inch! Backbreaking labor is gone, costs cut, accuracy improved, job flexibility widened—all so that more people can enjoy more goods at less cost.

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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

FEBRUARY 12, 1949



Look for a row between Washington and Tokyo over trade with Communist China.

SCAP (Supreme Commander of the Allied Powers) is set already to talk business with the Chinese Communists. Private American traders are being lined up to dicker on the quiet with some of Mao Tse-tung's bigwigs.

These traders are going to China with shopping lists that include coal, pig iron, wool, and soya beans. In return they will offer locomotives, railway cars, rails, and communications equipment made in Japan. (The Chinese Communists aren't interested in consumer goods.)

Washington hasn't been told about the plan officially yet. When it is, you can be sure of a thumbs down.

To Washington, Communists all look alike, whether they are in Czechoslovakia or China.

Official policy still stands: No capital goods for Communist areas.

SCAP has a case, of course, in economic terms.

SCAP figures Japan will never be self-supporting unless it trades freely with North China and Manchuria. Prewar it got 25% of its imports from this area. Important items were grain, textile fibers, coal, and pig iron. (Almost all Japan's pig iron either came from Manchuria or was produced with coal from North China.)

But Washington is thinking these days in terms of politics as well as economics.

So about the only thing that could loosen up trade with Communist China is a genuine end of the cold war with Russia.

Discount reports that France and Italy will soon form a customs union.

A Franco-Italian committee has approved the idea all right. But the committee's report shows that:

(1) There's agreement on doing away with tariffs—yet both countries want to keep export and import quotas. This would make the tariff cuts just about meaningless.

(2) Creating common ground for a union could delay it for years. The experts say that first you have to standardize fiscal policy, social security, wage levels, labor legislation.

(3) Neither country wants to give up its production "mix," especially in agriculture. Unless this attitude changes there's no chance of forming a real customs union, for one of the big benefits of a union is specialized production.

French Communists are taking up Stalin's "peace" talk in a big way. It's like the Popular Front line of the '30's.

Maurice Thorez says Marxists and anti-Marxists should plug for peace together. As a starter he is setting up "community councils for peace" in and around Paris. The membership drive will be concentrated on non-Communists.

British film producers are screaming for \$80-million a year in government subsidies. (That's about half the Treasury's annual receipts from box-office taxes.)

Movie men say that, unless they get help, film production in Britain will soon halt. Twelve of the 26 studios are closed already, six more are on the

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**  
**FEBRUARY 12, 1949**

verge. Reason: The British and empire market is too small. And the American market apparently isn't any savior.

•  
Chancellor Cripps should soon have a little money to spare for British movie men.

The way all tax receipts are coming in, Cripps will have a \$3-billion budget surplus by the end of March. (This is the figure Cripps set as a goal last April.) By the end of January, the surplus already had reached \$2.8-billion.

Getting results like this is sure to boost Cripps' prestige. It's the kind of financial medicine Britain needs to hold down inflation.

•  
Spain this week got a \$25-million loan from the Chase National Bank. It's the first real credit Spain has had from a U. S. financial house in many a year.

More loans are sure to follow when we restore full diplomatic relations with Franco.

The State Dept. is ready for this now. The problem is to get the United Nations general assembly to act first. (It was after a UN blackball of Franco in 1946 that the U. S. made the break.) But the U. S. wants some other country to take the initiative at UN.

•  
Europe's chemical industry is getting a lift from Pennsalt International Corp. (new subsidiary of Pennsylvania Salt Mfg. Co.).

Imperial Smelting Co., Ltd. (London), will produce fluorine—a base for plastics—under a Pennsalt license. A Paris firm will use Pennsalt's low-cost continuous process for sodium subsilicates (detergents used in metal-working, textiles, commercial laundries).

•  
India will soon be handing out a juicy engineering contract, either to a British or an American firm. The job: construction of a \$45-million plant to make heavy electrical equipment. (The plant will be government-owned.)

Britain seems to have the inside track at the moment. The New Delhi government has signed up Associated Electrical Industries, Ltd., to prepare plans.

But International General Electric Co. will probably be asked to duplicate this work. Then one or the other will get the bid.

•  
Washington is worrying about the problem of boosting imports to the U. S. The government thinks our export-import gap is too big now.

Cutting U. S. tariffs helps, of course. (That's one of the big reasons for wanting to renew the Reciprocal Trade Act.) But the Commerce Dept. figures that more than tariff-cutting is needed. So it is toying with these ideas:

- (1) Canvassing U. S. firms to get a line on what commodities they need. Then Commerce would suggest ways of getting the goods from abroad.
- (2) Getting the U. S. foreign service to look for goods abroad that might have a market here.

- (3) Suggesting that the Marshall Plan countries do these two jobs themselves—either individually or jointly. (U. S. officials would offer their guidance.) This plan would have the advantage of pushing foreign countries into more self-help.

# BUSINESS ABROAD



**MUNITIONS PRODUCTION** (this poster urges oil workers to speed the Five Year Plan) is squeezing the Russian civilian so hard it may prove an impossibly high price which . . .

## Stalin Pays for Cold War

Soviet percentages indicating steep rise in production last year have little validity: It may be no higher than in 1940. Military spending is draining the economy, leaves plant unmaintained.

What has Stalin's cold-war policy cost him? How much is the armament production needed to back up the policy hurting the Russian economy?

Not much—if you take Soviet statistics at face value. The official figures suggest that Soviet industry has taken military production in its stride, along with reconstruction and a vast expansion program.

• **Different Story**—The real facts, of course, are different. The makeup of Soviet production in 1948, and the financial position of industry, show that the cost of the military economy runs very high. In fact, it's so high that it's more than likely that Stalin badly needs to cut back military production this year. If he doesn't he is almost sure to jeopardize his long-run industrial targets.

That could be one of the reasons why Stalin has been sounding out Washington on the prospect for an East-West settlement (BW—Feb. 5 '49, p. 95).

The Soviets boast that gross industrial production in 1948 was 27% higher

than in 1947, 18% over 1940. Industry overshot the 1948 plan by 6% to reach these figures. And Moscow now wants the world to believe that the post-war Five Year Plan will be completed in 1949, a year ahead of schedule. (The production target for 1950 is 48% above 1940.)

• **Disagreement**—Top Russian experts in the U.S. discount these Soviet claims. They think over-all production in 1948 is little higher, if any, than in 1940. And they don't forget that Soviet statisticians include in Russian production: (1) defective output (this runs to as much as 15% of total production); (2) goods that come in from eastern Europe via Soviet corporations operating there.

About all that Moscow gives out these days are percentage figures. And these are tricky to deal with. But if you accept the Soviet claims and use Soviet figures for earlier years, you can come out with some definite totals for 1948 output.

• **Comparisons**—For basic industries, these estimates, and the actual Five

Year Plan targets, look like this (in millions of metric tons):

	1940	1948	1950
Pig iron.....	14.9	12	19.5
Steel.....	18.3	18	25.4
Coal.....	166	170	250
Oil.....	31.2	22-24	35
Electricity (billions of kw/h). N.A.		60	82

N. A. Not available.

• **Too High**—The figures for 1948 almost certainly rate Soviet achievements too high. For example, the Economic Commission for Europe (a U. N. body in Geneva) estimates that Soviet steel production last year was only 16.5-million metric tons. On the other hand, ECE estimates 1948 pig iron production at 14-million metric tons.

But even without correction, the estimates show that in basic materials the U.S.S.R. has a long way to go to reach its Five Year Plan goals even in 1950, much less in 1949. According to Soviet claims, steel output in 1948 was 25% higher than in 1947; coal 14%; oil 9%. Even if these percentages are accurate, these industries must still boost production by, respectively, 42%, 45%, and 50%.

• **Heavy Industry**—Again on the basis of Soviet claims, the gains made in 1948 by steel, coal, oil, and electricity don't compare with those chalked up by heavy manufacturing industries. For example, the percentages show that output of tractors (the same industry produces tanks) was 100% above 1947; trucks and machine tools each went up about 40%.

It is this sector of the economy which has been turning out military equipment. Defense expenditure in 1948 was scheduled to get 66-billion rubles. This was about 14% of the country's national income, or twice the proportion of national income which the U. S. or Britain spend on defense. And the figure didn't include new armament plants.

• **Cost**—You get an idea of what Soviet military demands mean if you figure the cost in plant and materials of producing 60,000 tanks and 45,000 aircraft a year. The fact is that concentration on military production has slowed not only the development of consumer goods, but the development of the basic industries themselves.

• **Wear and Tear**—The Soviets seem to have pushed production at the expense of renewing existing plant even in the heavy manufacturing industries themselves. Reckless wear and tear on productive equipment was unavoidable in war; it seems to have gone right on for three years of peace. This dangerous practice is what made the rapid expansion of output in 1948 possible.

• **Financing Shaky**—The price which the U.S.S.R. has paid for this military

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## CLUES

See page 78 of the January 29 issue

production program shows up in the financial troubles industry has faced since World War II. The Soviet government has had to cut deeply into consumers' real income to finance the heavy industries.

In 1932, at the end of the First Five Year Plan, 32% of Russian industry was on a self-financing basis. In other words, a third of industry made big enough profits to take care fully of amortization, expansion needs, and a reserve fund of state bonds. Today not more than 13% of Russian industry is self-financing. To balance growing industrial deficits over the past three years, the Soviet government has scrapped its rules about self-financing for 80% of industry.

• **High Price**—What's happened is this: The Soviet government has been unable to reach its production goals by normal budgetary means. So it is paying a double-edged price for its high current production: It has had to let its normal financial requirements for industry go by the boards, and it is doing nothing about wear and tear of plant.

The Soviet government had a warning in the spring of 1948 that its production policy was threatening the financial structure of industry: Sales of state securities dropped way off.

Every Russian plant is expected to put 10% of its nominal profit in a reserve fund, with which it buys state securities. Other portions of the profit go to workers' welfare fund and to a building fund.

Last year the sale of state securities to industry sank to 1.2-billion rubles. In 1946 the figure had been 3.5-billion, in 1947 2.8-billion. The building fund also suffered. The plan had been to build 1.1-million cubic meters of living quarters near the plants; actually less than 700,000 cubic meters was built.

• **Turnover Tax**—Last month the Soviet government made a move to help industry to get out of the red. It took the turnover tax off many of the basic materials of industry.

This Soviet turnover tax touches every Soviet product in the process of production. In 1940 it varied from about 1% to 84%. But the incidence for the final consumers often runs well above 100%, since it is levied at several stages of production.

What had apparently happened was that the majority of Russian plants could no longer pay this tax and at the same time pay wages, buy raw materials, and comply with the other duties prescribed by the state.

• **Income Loss**—The Soviet government's income from this turnover tax in all fields in 1948 was 280-billion rubles, or 68% of the entire tax income. About 60% of the whole income from the turnover tax comes from agricultural products and from the food industries, which make up only 20% of the total

production. (Bread alone yields 20% of the turnover tax.) But the burden on other industries was still a heavy one—110-billion rubles.

The new tax regulations free all varieties of fuel (except petroleum products), electrical power, ores, metals, machines, armaments, building materials, chemical products, and those of the woodworking industry from the turnover tax. (The 80% turnover tax on petroleum products was apparently left intact on the theory that the peasant—who is a big user of kerosene—can afford to pay.)

Now the Soviet government must find a substitute for this big chunk of revenue. The only probable source is deeper taxation of mass consumption. The recent raising of the general level of wholesale prices seems to point in this direction.

• **How Much Armament**—Actually, the Soviets face one decisive question: What proportion of total production should be used for military purposes? Everything points to the fact that the Soviet government will decide on its answer soon. Reports leaking through the Iron Curtain indicate that a certain "demobilization" of Russian industry has begun. The conversion of Russia's biggest tank plant at Gorky to production of tractors and freight cars is a case in point (BW—Nov. 27 '48, p. 110). The Kremlin now has to decide whether to continue this process—and how far to go.

But this question won't be decided on economic considerations alone. If Stalin figures this summer that he can't get an East-West settlement, then the armament industries are likely to be expanded as in 1939-40. In this case, there would be no consideration of the consequences for the total level of production of the consumer goods industries.

But if Stalin decides he can come in out of the cold war, for a little while, production of armaments will probably be cut. Then equipment for the basic industries, plus the consumer goods industries, can get a badly-needed push.

## PRODUCTION: UP, DOWN

**NEW DELHI**—The 1948 drop in coal and steel production in India has cooled local business enthusiasm over a 15% increase in over-all production. Coal output in 1948 was 29.7-million long tons—270,000 less than in 1947; steel output last year fell 39,000 long tons to a total of 854,000.

The poor showing of the tea industry—one of India's vital exports—further dimmed the picture.

Light industries accounted for the general rise. Gains showed up in textiles, cement, sugar, paper, alcohol, and a number of consumer goods industries. In most cases, however, supplies fell far short of the demand.



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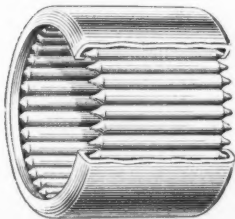
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### CLUES

See February 19th issue for next Clues Column.



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## Smugglers' Boom

Contraband dealers did record business of over \$15-million last year. Reason: big foreign trade volume.

The boom in foreign trade has meant a boom in an old American industry: commercial smuggling.

• **Record Year**—In 1948, this industry broke all its previous records; it did "well in excess of" \$15-million worth of business.

Of course, no one can say just how much in excess. Smugglers don't usually file reports or pay taxes. But you can be sure that actual volume exceeded the volume of contraband seized; and last week, the Treasury said that its agents seized nearly \$15-million worth of goods last year. That is \$2-million more than in 1947.

• **Rebirth**—The smuggler, who wilted on the vine during the war, has bloomed anew since the war's end. For one thing, foreign trade is back in private hands. For another, its volume has climbed to the greatest heights in history. The record shows that the scope

for the smuggling business is closely correlated with the volume of private foreign trade.

Biggest stimulus of all, perhaps, came from the export controls that were imposed on scarce and strategic goods. These controls put a new list of items on the contraband list: planes, ships, guns, tanks, lard, steel, and plumbing supplies. This literally doubled the scope of the smuggler's operations.

A good part of the contraband captured by customs guards last year consisted of a perennial favorite—diamonds. High duty and small size make illicit traffic in the shiny stones highly profitable. Lottery tickets, narcotics for the underworld, and other legally banned items also helped swell the Treasury Dept.'s loot bag.

• **High Costs**—The large volume of foreign trade is boosting more than the smuggling traffic; it's also raising the amounts of forfeits that smugglers pay to customs agents. The Treasury has tightened its enforcement nets to cope with the heavier traffic.

At the same time, the authorities are working harder to find the sources of contraband—catching unlicensed exports before they move to dockside, learning of illegal imports before they land.



## Britain Builds Europe's Biggest Steelworks

At Margam on the Bristol Channel in South Wales, the biggest steel works in Europe is going up. It's the \$350-million plant of the Steel Company of Wales—a new concern formed to run the plant.

When the plant is finished in 1951, it will produce around 1.5-million tons of finished steel and 1-million tons of pig iron a year. (Biggest American

steelworks, Carnegie-Illinois' plant at Gary, Ind., has an annual capacity of more than 5.7-million tons of steel ingots.)

Four British steelmakers are joint owners of the new company: Guest, Keen, Baldwins Iron & Steel Co., Ltd.; Llanelli Associated Tinplate Companies, Ltd.; Richard Thomas & Baldwins, Ltd.; and John Lysaght, Ltd.



## Canadian Mines

Rush is on in Northwest Territory after discoveries of lead, zinc, silver. Area due for business boost.

OTTAWA—Mining rushes are commonplace in Canada's rich Northwest Territory these days. Current hot spot is the Great Slave Lake area, some 1,600 mi. northwest of here. The strikes: lead, zinc, and silver.

• **New Development**—Gold and uranium prospectors operating out of Yellow Knife on the lake's northern shore (map) started the rush some time ago. But the other base metals have started to appear only in the last six months. Within a radius of a few hundred miles from Yellow Knife, prospectors have registered 2,300 claims since summer.

The first discoveries of silver, zinc, and lead were made at Indian Mountain Lake, 100 mi. east of Yellow Knife. The prospecting firm, James McAvoy & Associates, optioned an 80% interest in their claims to Hollinger Consolidated Mines, Ltd., for \$350,000. Hollinger is now in the midst of a 5,000-ft. drilling program to test its holdings.

• **Other Discoveries**—More news of lead and zinc has been coming from Pine Point, on the southern shores of Great Slave Lake. Two companies—Consolidated Mining & Smelting, Ltd., and Ventures, Ltd.—have exploration rights on a 500-sq.-mi. concession. After 9,100 ft. of drilling the companies reported encouraging results.

Many Canadian government officials believe that when these base metal properties are proven up, development of Canada's northland will get a big boost. They figure that there is a good chance of smelting operations being set up in the Great Slave Lake region. And that means that a railroad would have to be pushed through.



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All lumber used in the manufacture of Imperial's well-known quality office furniture is handled by a Ross Lift Truck. Over a period of two years, this machine has consistently moved and stacked this lumber at a saving of 50% of former cost!

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## ECA'S LEDGER

### Proposals for Coming Year

This week both the House and the Senate got the Administration's bill for the second year of the Marshall Plan (1949-50). There were few proposed changes and no surprises. Briefly, here's what the bill does:

(1) It asks Congress to authorize a total of \$5.43-billion. (To cover the gap between Apr. 3 and July 1, 1949: \$1.15-billion. To cover the fiscal year 1949-50: \$4.28-billion.)

(2) It asks Congress to repeal the ECA provision that 25% of all ECA-financed wheat shipments from the U. S. must be in the form of flour.

(3) It charges \$3-billion of current ECA appropriations against the 1948-49 federal budget. The Republican 80th Congress ruled that this sum should be charged against the 1947-48 budget surplus. But many Democrats called the move "financial sleight of hand."

(4) It authorizes the Reconstruction Finance Corp. to lend ECA \$750-million while Congress debates the size of second-year appropriations.

### Other Developments

**50-50 Clause.** Paul Hoffman testified before the House Merchant Marine and Fisheries Committee on Chairman S. O. Bland's bill which would establish even more stringent "50-50" shipping requirements than those in the ECA act.

This bill would not only require that 50% of all government-financed cargo (ECA, Export-Import Bank, etc.) be carried in U. S. flag vessels, but would apply the principle both by country of destination and by type of cargo—dry cargo, liner cargo, and tanker.

Hoffman objected to applying the law by country of destination on the ground that some countries depend a great deal on their merchant marine to earn money, whereas others don't.

He also suggested that if ECA is to be required to pay the higher U. S. freight rates, ECA be given a supplemental appropriation to make up the difference.

**Aluminum-Lead Shipments.** A joint study by ECA and the Commerce Dept. has cleared Britain, the Netherlands, and Belgium of the charge of reselling ECA-financed lead and aluminum to the U. S. The report said that: (1) None of the metal shipped to the U. S. duplicated what we sent them; and (2) many of the shipments that reportedly originated in the three countries actually were transshipments from other sources.

While handing down its verdict,

ECA took the opportunity to remind western Europe that these metals were still very tight here. So ECA is sending a group of aluminum experts to Europe to advise Marshall Plan nations on how to stretch scrap and secondary metals.

**Strategic Materials.** The Netherlands and Indonesia are the latest contributors to the U.S. strategic materials stockpile. The contribution: almost \$4-million worth of palm oil. The French have also promised 19,800 tons of graphite from Madagascar at a rate of 3,000 tons a year.

**Know-How Exchange.** A team of 20 Danish workers will arrive here this week for some schooling in East Coast and Midwest plants.

**Penalty Payments.** France paid more than prevailing prices for some crude oil last spring. Result: France must pay ECA \$120,000 to cover excess charges. The muscle flexing was a warning to other Marshall Plan nations that ECA intends to collect when they make a bad bargain.



## New Pilot for BOAC

British Overseas Airways Corp. will have a new boss this June. He's Sir Miles Thomas, BOAC's 51-year old deputy chairman. Sir Miles will take over the post of chairman to replace Sir Harold Hartley, who is retiring.

Sir Miles joined the government-owned BOAC a year ago to see what he could do about erasing a whopping deficit. Aiming to cut overhead costs 20%, he has supervised a complete reorganization of BOAC's overseas offices.

BOAC's new chairman is best known for his work in Britain's automotive industry. For years he was vice-chairman of Morris Motors, Ltd., Britain's largest automobile maker. After V-J Day he got the Morris organization switched from war to peace production.

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# THE TREND

## Is the Stream of New Enterprise Running Dry?

It is time to take stock of the state of new enterprise in America.

The facts are disquieting on the surface. But if you look more deeply, you see them in more favorable perspective.

The number of new businesses has been declining for some time. Fewer than 400,000 new firms began operations last year. That number was considerably under the 600,000 that opened their doors in 1946. It is even less than the number that started in the years just before the war. Moreover, some 300,000 businesses shut up shop in 1948 (a new postwar high); so the net gain in the business population was less than 100,000.

### A Look at the Record

Now it is axiomatic that new business is vital to the enterprise system for two reasons:

- (1) It helps feed and maintain healthy growth in the economy.
- (2) It helps keep the economic system as a whole efficient.

As to reason No. 1: You can see, in part, what new business means to the economy by looking at a Dept. of Commerce study of new firms in wholesale and retail trade. In 1945-47 some 650,000 owners of new firms in these lines invested more than \$7-billion of capital; the bulk of it came from their own savings. One-third of the \$7-billion went into new buildings and equipment, the rest into inventory, working capital, and used facilities. Other billions, of course, went into new service and industrial enterprises.

As to reason No. 2: Those of the new small firms that do survive and grow are usually the more efficient ones. Analysis of business records substantiates that; A. D. H. Kaplan makes this clear in his study for the Committee for Economic Development, "Small Business: Its Place and Problems."

Hence, in both important regards, the recent downturn in new enterprise has been unfavorable.

But there is more to the record than this. Wartime shortages and other factors reduced the number of firms from 3.3-million in 1939 to 2.8-million in 1944. In the three and a half years since V-J Day, a new army of more than a million successful entrepreneurs has swelled the thinned ranks of business. They have brought the number of operating businesses up to a new record of about 3.9-million today.

This explains why fewer enterprisers are now willing to "try their luck" on their own. Most of the special postwar opportunities have already been taken up. The Dept. of Commerce calculates that, on the basis of experience in this country, normal growth of the economy and full employment today would call for just

about 3.9-million businesses in manufacturing, trade, service, construction, and other fields. We reached that point a year ago and have climbed little since then. This also explains why fewer businesses are being started now than before the war—when the level of business was rising rapidly and making room for new enterprises.

In this light, the facts certainly show no sign of debility in enterprise. The number of new businesses started last year allowed for as much as, or even more than, the normal growth which the economy can accommodate. What is more, the number of new businesses equaled 10% of the total of all operating firms. That high turnover undoubtedly contributed to continued efficiency in the business system. New ventures were adequate to serve the growing lines of business in the country, while firms in other fields encountered setbacks.

Even more heartening is the rate at which new corporations, specifically, are being formed. There were about 100,000 new incorporations last year. That is one-fourth less than the high number in 1946, to be sure. But it is still half again larger than the prewar rate. In fact, it is about equal to the rate of 20 years ago. And that is particularly striking since there is a long-term downtrend in the rate of incorporations in this country. This trend was discovered in George H. Evans' new study for the National Bureau of Economic Research, "Business Incorporations in the United States, 1800-1943."

It seems fair to conclude, therefore, that what we have seen in the field of new enterprise is another example of postwar return to "normalcy." Trends that seem unfavorable by comparison with the early postwar fever of inflation appear in a new light when viewed in perspective. In short: The postwar heyday for new business has passed; there is yet no sign that debility in enterprise has set in.

### Government's Role

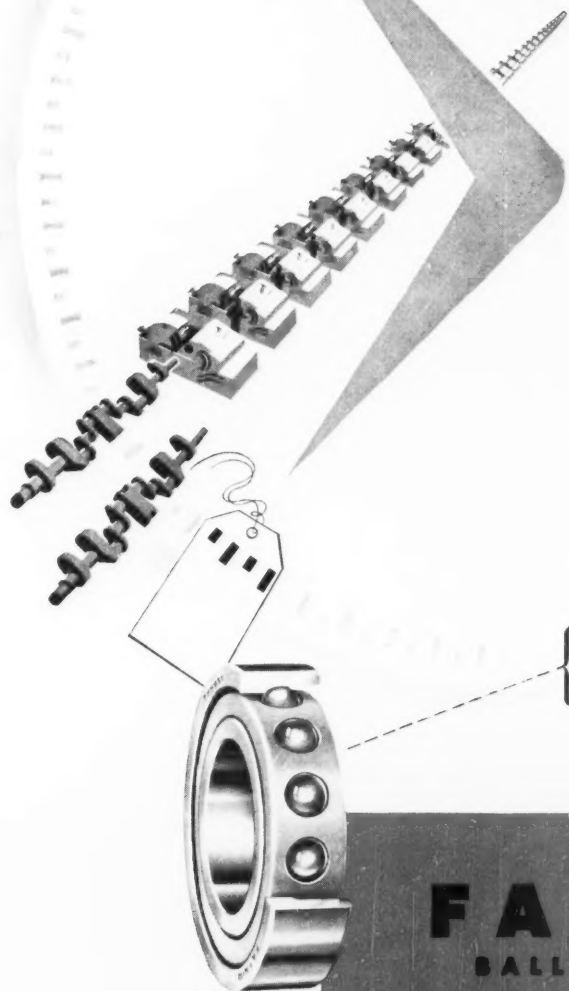
But this year may well prove an important turning point—for new businesses, and for those formed since the end of the war, that are still struggling.

The end of the sellers' market in many lines will put them to severe test. It might well accelerate the downturn in new ventures and incorporations. That might raise a new question about what government should do to improve the state of enterprise. But, so far, that question is premature.

There is another question, though: What should Washington not do if it is to avoid hurting enterprise? That particularly concerns raising taxes. It may also involve the effect on small concerns of boosts in minimum wages. More facts are needed on these and similar scores. And these questions are very much more to the point today.

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